

**TESTIMONY OF
THE RENEWABLE FUELS ASSOCIATION
BEFORE THE U.S. ENVIRONMENTAL PROTECTION AGENCY**

**RE: RENEWABLE ENHANCEMENT AND GROWTH SUPPORT (REGS)
PROPOSED RULE (DOCKET NO. EPA-HQ-OAR-2016-0041)**

**DECEMBER 6, 2016
CHICAGO, IL**

Good morning. My name is Geoff Cooper and I am Senior Vice President of the Renewable Fuels Association (RFA), the nation's leading trade association representing fuel ethanol producers and others in the renewable fuel supply chain.

Thank you for the opportunity to share some of our initial thoughts and comments on the Renewables Enhancement and Growth Support (REGS) proposed rule. The REGS proposal is quite expansive and complex, and we are still analyzing the potential impacts and ramifications of the rule's many provisions. As such, my testimony today will focus primarily on the ethanol flex fuel provisions and we will be addressing many of the proposal's other measures later in written comments submitted to the docket.

Ethanol Flex Fuels

We generally support EPA's proposal to define E16-E83 as "ethanol flex fuels" (EFF), and specifically want to underscore our support for including E16-E50 in the EFF category of fuels. As recognized by EPA, defining E16-E50 as "gasoline" and subjecting those fuels to the statutory requirements of the Fuel & Fuel Additive program would be impractical and counterproductive to the goals of the Renewable Fuel Standard (RFS).

However, we'd like to offer a number of recommendations that we believe would strengthen the proposed EFF provisions by adding more flexibility, reducing administrative complexity, and allowing EFF producers, distributors, and consumers to best capitalize on economic efficiencies in the marketplace.

We agree with EPA's proposal to allow three different options for demonstrating compliance with the EFF quality requirements: full-refiners, bulk blender-refiners, and blender pump-refiners; and, for those entities downstream of the parent blendstock producers, we strongly support EPA's proposal to rely on Product Transfer Documents (PTDs) to the maximum extent possible in lieu of batch testing to demonstrate compliance with the proposed sulfur, benzene, volatility, and CHONS requirements.

While the proposed measures related to demonstrating compliance with EFF sulfur, benzene, and CHONS requirements are relatively straightforward, we have several specific comments on the proposed volatility requirements for EFF.

- For EFF blender pump-refiners, we agree that per-batch RVP testing is infeasible and unnecessary. We agree that blender pump-refiners should be allowed to demonstrate compliance with RVP requirements simply by maintaining PTDs to demonstrate that they made EFF from compliant parent blendstocks.
- Further, we strongly agree that setting an RVP standard for E16–50 produced at blender pumps is not necessary, as EFF made at blender pumps from certified parent blends will not exceed the 10.0 psi design tolerance of Flex Fuel Vehicles (FFVs). We do not believe any additional RVP controls are needed for the EFF blender pump-refiner beyond those outlined in the proposal.
- For EFF full-refiners and EFF bulk blender-refiners, we support the alternative option proposed by EPA of setting a uniform RVP standard of 9.0 psi for EFF sold in conventional gasoline areas, including those areas where conventional gasoline is currently subject to a 7.8 psi RVP standard.
- For EFF bulk-blender refiners, we agree that it would be impractical and cost prohibitive to require per-batch RVP testing on EFF batches made from gasoline or BOBs that take advantage of the 1.0 psi waiver for E10. Thus, we generally support the idea of allowing EFF bulk-blender refiners to use an RVP compliance tool in lieu of per-batch testing. However, we are still reviewing the documentation related to the proposed RVP compliance tool that was just recently added to the docket and reserve comment on whether the proposed model is appropriate and reliable.

Based on the industry's negative experience with the E15 fuel survey, RFA is strongly opposed to the proposal to establish an EFF quality survey program in which physical EFF samples are collected and analyzed. As the E15 survey has demonstrated, the costs of such programs often outweigh the benefits and the program scope can quickly expand beyond its intended purpose. As an alternative to physical sampling, EPA's proposal discusses a survey arrangement in which the independent surveyor reviews PTDs to ensure that EFF bulk blender-refiners and blender pump-refiners used appropriate parent blendstocks to make EFF. This alternative is certainly preferable to physical sampling, and we agree with EPA that it would greatly reduce the cost of compliance assurance.

With regard to the use of natural gasoline as EFF blendstock, we are concerned that certain aspects of the proposal will impede the use of this low-cost blendstock rather than encourage it. Specifically, we believe the proposed 10 ppm per-gallon sulfur cap on

certified natural gasoline EFF blendstock is overly restrictive and unnecessary to ensure that finished EFF offers an equivalent level of sulfur control as gasoline.

As EPA acknowledges, sulfur is generally absent from undenatured ethanol. Further, EPA proposes to limit the amount of natural gasoline in EFF to 32% of the finished fuel, including denaturant. Thus, certified natural gasoline EFF blendstock could have sulfur content of 31 ppm, but due to dilution by ethanol, the finished EFF would have sulfur content of 9.9 ppm.

Natural gasoline suppliers have informed RFA that the available volumes of natural gasoline with 10 ppm sulfur (or less) are likely insufficient to support widespread EFF blending. Further, we are told the costs associated with meeting a 10 ppm per-gallon cap would likely be passed on to EFF blenders, making natural gasoline much less attractive economically and potentially eliminating some or all of the cost advantage that facilitates deep discounting of flex fuels at retail. Because EPA's concern appears to be ensuring that EFF achieves an "equivalent level of environmental protection as gasoline," we support raising the proposed sulfur limit for certified natural gasoline to 30 ppm. Along with EPA's proposal to limit natural gasoline content to 32% of the finished EFF blend, this would ensure the finished fuel does not exceed 10 ppm sulfur.

With regard to Renewable Volume Obligations (RVOs), we strongly support EPA's proposal to defer the imposition of RVOs on parties making EFF using natural gasoline.

E15

Turning to E15, we agree with EPA that even though E15 is technically defined as "gasoline," it is unreasonable to subject E15 retailers who make the fuel via blender pumps to the registration, reporting and batch testing requirements that apply to gasoline producers. Accordingly, we support the proposal to allow entities who manufacture E15 at blender pumps to use PTDs to demonstrate compliance with sulfur, benzene, CHONS, and volatility requirements in lieu of performing batch testing.

While the proposal doesn't necessarily change anything with regard to the applicability of gasoline RVP standards to E15, it does underscore the urgency of EPA resolving the disparate volatility treatment of E10 and E15. RFA first encouraged EPA to level the playing field for the RVP of E10 and E15 in 2010, when we formally requested that EPA use its administrative authority to simply apply the 1.0 psi RVP waiver for E10 to E15 as well. One year ago, both RFA and the Auto Alliance took a different approach, asking that EPA instead use its authority to effectively limit the volatility of conventional gasoline blendstock to no more than 8.0 psi from June 1 to September 15, which would reduce volatile emissions and level the regulatory playing field for all ethanol blends.

We understand the REGS rulemaking process is not intended to address RVP standards for E15, but it does accentuate the importance of resolving this barrier. We again

strongly encourage EPA to take immediate action separately to either limit the RVP of conventional gasoline to 8.0 psi in the summertime, or extend the 1.0 psi waiver to E15.

Other Provisions

Finally, the REGS proposal contains a number of other miscellaneous provisions that will affect the operations of our producer members. RFA will be addressing these items in detail in written comments; however, several of them deserve brief mention today:

- First, we fully support EPA's proposal to alter the definition of corn oil extraction;
- Second, we question whether it is appropriate or necessary to classify undenatured ethanol as a biointermediate, and have concerns about the proposal to replace foreign producer registration requirements under the RFS with biointermediate producer registration requirements;
- Finally, we have concerns about the impact of various other proposed provisions, such as changes to the third-party engineering and auditor requirements and deadlines for amending grandfathered capacities.

Thank you and I look forward to your questions.