



January 30, 2020

Commodity Credit Corporation  
Rural Business-Cooperative Service

ATTN: Docket ID RBS-20-Business-0002

Submitted via Federal eRulemaking Portal

**Re: Request for Information (RFI) on a Higher Blends Infrastructure Incentive Program (HBIIP)**

The Renewable Fuels Association (RFA) appreciates the opportunity to respond to the U.S. Department of Agriculture's (USDA) request for information (RFI) on a Higher Blends Infrastructure Incentive Program (HBIIP). We look forward to working with USDA and our partners in the retail community to further build on the success of USDA's original Biofuels Infrastructure Partnership (BIP), which helped increase the availability of E15 and higher ethanol blends at retail sites across the country.

RFA is the leading trade association for America's ethanol industry. Its mission is to advance the development, production, and use of fuel ethanol by strengthening America's renewable fuels industry and raising awareness about the benefits of renewable energy. Founded in 1981, RFA serves as the premier meeting ground for industry leaders and supporters. RFA's 300-plus members are working to help America become cleaner, safer, more energy secure, and economically vibrant.

Our answers to the specific questions posed in the RFI are below.

**1. What type of assistance/incentive would encourage the increased sales/ use of fuel ethanol and/or biodiesel in a way that is most cost-effective to the government?**

**a. Should a potential biofuels infrastructure program incentivize the lowest cost per incremental gallon of ethanol or biodiesel use/sales at the retail/fueling station level or terminal/ depot/wholesale level or both retail/ fueling station and terminal/depot/ wholesale levels?**

RFA believes any available funding should be primarily directed at offsetting the costs to install and/or upgrade wholesale and retail infrastructure compatible with higher biofuel blends, rather than used to incentivize lower costs of biofuel blends.

**b. What types of equipment and infrastructure should be eligible under the program?**

For ethanol blends, all equipment and infrastructure certified (by the manufacturer or credible third-party) as compatible with *at least* E15 (11-15% ethanol) should be eligible. However, we strongly believe funding preference should be given to projects that install equipment and infrastructure with maximum flexibility and maximum ethanol compatibility. For example, dispensers fully compatible with 25-30% ethanol blends and/or 85% ethanol blends should be prioritized for funding assistance over dispensers with a maximum compatibility of just 15% ethanol. We also believe funding assistance should not be limited strictly to specific equipment, like dispensers or tanks. It should be noted that often the retailer's equipment needs are not directly related to typical equipment such as tanks or dispensers. While the original BIP program's focus on tanks and dispensers seemed logical given the high cost associated with such items, many retailers have expressed that funding was not available for other important equipment and infrastructure needs (e.g., piping, transfer pumps, station signage, etc.) Tanks and dispensers are replaced with the least frequency when it comes to the adoption of higher ethanol blends, and in some cases, it is not necessary to replace them at all. Tanks typically have a 25 to 30-year lifespan and most dispensers have been deemed compatible with E15 by the manufacturer since before the fuel's legal approval by EPA. Changing this equipment can be unnecessary in order to retrofit an existing fuel system to offer higher ethanol blends. That said, each station is unique, and each may have other financial needs to allow them to offer higher ethanol blends. The National Renewable Energy Laboratory (NREL) has conducted detailed analysis on the ethanol compatibility of all of the individual components typically contained in wholesale and retail fuel storage and dispensing systems. We strongly encourage USDA to work with NREL to determine specifically what equipment should be eligible for funding. NREL's expertise in this area is incomparable and it could serve as a trusted source for assisting in funding determination.

**2. Should program funding provided to participants include:**

**a. Direct cost-share toward purchase of equipment, retrofitting, and enhancements; (b) higher blend biofuel sales or marketing incentives; (c) both; or (d) other?**

As stated previously, the direct cost-share of purchases of equipment, retrofits and physical infrastructure enhancements is strongly encouraged. We do not believe funding assistance should be provided for sales and marketing incentives, as administration of such a program could be incredibly complex and difficult. In addition, ethanol's low-cost relative to gasoline and its inherent value proposition (e.g., higher octane rating) make sales incentives unnecessary. For higher ethanol blends, the roadblock to expanded use is infrastructure—not economics.

**3. Should the program include minimum standards for equipment, such as equipment certified to dispense biofuel blends containing 25 percent ethanol (certified for use with E15) and/ or B20-compatible or higher biofuel blend dispensers?**

While all equipment compatible with at least E15 should be considered, RFA believes USDA should prioritize funding for equipment with maximum ethanol compatibility. We strongly encourage this program to focus on helping stations prepare for the future and encouraging maximum compatibility with higher ethanol blends. USDA may want to strongly consider requiring that any new gasoline dispensers must be certified (e.g., by UL or other appropriate third-party testing/certification bodies) for at least E25 in order to qualify for cost sharing.

**4. From your perspective, what types of efforts have proven to be effective in increasing higher biofuel blends sales?** Financial assistance provided to retailers to install/upgrade equipment has undoubtedly helped increase market adoption of higher blends of ethanol. This is especially true when retailers proactively advertise the availability of higher blends and initiate efforts to increase customer awareness. These marketing efforts are important, but due to the unique positioning and needs of each retailer in the marketplace, advertising, branding, and marketing efforts are best left up to the individual retailer and should not be prescribed. In addition, removal of unnecessary regulatory burdens helps facilitate increased sales of higher ethanol blends. Finally, state-level infrastructure and equipment programs and industry-led initiatives have been very successful in augmenting and complimenting federal initiatives (e.g., USDA's original BIP).

**a. What are the most appropriate higher biofuel blend levels (for both ethanol and biodiesel) that the program should be incentivizing?**

With regards to ethanol, the program should be incentivizing E15 (defined by EPA as containing 10.5-15% ethanol) and all higher blends. Again, cost share priority should be given to equipment capable of storing and distributing higher-level blends (e.g., E25 and above). This equipment can also store and distribute E15 today but is flexible enough to accommodate higher blends in the future.

**b. Should there be a minimum requirement on the number or percentage of dispensers converted to higher biofuel blends at a retail site or fueling station?**

No, but perhaps USDA could consider a funding multiplier for stations that add higher ethanol blends at all their fueling positions, would allowing them to receive more funding (i.e., per fueling position) than those that only add higher ethanol blends at one or two fueling positions. However, we do not believe stations should be excluded if they choose to offer higher ethanol blends only at alone or a few fueling positions (franchise or fuel supply agreements and EPA's misfueling mitigation plan likely prohibit or strongly discourage retailers from offering higher ethanol blends at every fueling position).

**c. Should there be a requirement for certain dispenser configurations such as shared hoses (as practicable and allowed by law, for higher biofuel blends to share a pump hose with existing fuels)?**

No, RFA prefers the station-specific approach, as each one will need to evaluate their best options. RFA worked with EPA directly to approve three different hose configurations; those approved configurations are outlined in our E15 Retailer Handbook and its addendum. Further, not all Authorities Having Jurisdiction (AHJ) and franchises allow for the same options. Flexibility is important.

**d. Should there be a requirement for signage (as allowed by law) and marketing?**

RFA appreciates that USDA has made signage a focus in the proposed HBIP program and feels it is an important factor in determining the ultimate success of higher ethanol blend sales at specific locations. We believe appropriate signage advertising the availability and/or price of higher ethanol blends should be eligible for funding assistance.

**e. Should USDA insist on consistent terminology and branding and naming of E15 and/or B20 or other higher biofuel blends?**

No. When it comes to marketing and branding fuel, one size does not fit all, and individual market participants should be allowed to choose the strategies that work best for them and their customers. Today, nearly 2000 stations are selling E15 under a wide variety of names and brands. In addition, standard E10 gasoline is marketed today under dozens of different brand names (e.g., Shell V-Power, Exxon Synergy, Amoco Ultimate, BP Invigorate, etc.). The program should not put prescriptive conditions or requirements around the way recipients of financial assistance market higher ethanol blends to consumers. Retailers need the flexibility to market to their audience in their own respective manner. There are also restrictions via franchise and supply agreements that would likely preclude new branding, naming, or other marketing requirements.

**5. From your perspective, if cost-sharing is required, what minimum level of cost-share (owner contribution) should be required of recipients of funding? What would you consider to be the most cost-effective level of cost-share?**

RFA recommends that an owner contribution match of 25% be in place. While we believe that some owner contribution must be required to ensure the recipient has some of their own “skin in the game,” we suggest a relatively low rate. Small fuel retailers (which represent more than 60% of all fuel retailers nationwide) simply do not have the access to capital to support a significant requirement for matching funds.

**6. What steps should a potential biofuels program take to ensure equitable program participation by small- to mid-sized station owners? (That is, owners of less than 10 to less than 20 sites/stations. We are especially interested to hear from small- to midsized station owners on this question.)**

It is imperative that funding assistance be accessible to retailers of all sizes and on a nationwide basis. This should include everything from small, single-store owners to mid-size retailers and large chains. Successful retailers come in all shapes and sizes; more than 60% of fuel marketers today are “single network retailers” operating only one to three locations. The need for financial assistance is often greater for smaller operators who may lack the resources and access to capital available to larger operators. In order to ensure equitable participation by small- and mid-sized station owners, it is imperative that any requirement for matching funds be reasonably attainable. RFA recommends that an owner contribution match of no more than 25% be in place.

**7. From your perspective, how much post-award reporting is reasonable for recipients of funding? e.g. quarterly or annual reporting of higher blend fuel sales by the participant?**

Quarterly reporting would be appropriate. However, RFA strongly believes that reporting is only useful if USDA has the ability to periodically publish and publicly share *aggregated* (i.e., non-CBI “blind”) data regarding sales volumes and other critical information. Whatever reporting process is adopted, RFA feels strongly that the method be one standard for all participants. RFA also recommends that USDA enlist a post-project interview (i.e., after construction/installation is complete and higher blends have been sold for a period of several months) with the recipient to gauge what is working and/or what needs to be adjusted for future projects moving forward.

**8. What other barriers exist that limit expansion of availability of biofuels to consumers? What specific actions could USDA take to guide a transformation and/or expansion of a nationwide biofuels-infrastructure program, in both the short- and long-term?**

Many of the barriers that discourage broader expansion of higher ethanol blends are regulatory in nature and under the jurisdiction of EPA. Thus, we ask that USDA encourage EPA to:

- Remove or substantially revise the existing fuel survey requirement for E15;
- Remove or substantially revise the E15 labeling requirement that is currently viewed as a warning label and deterrent;
- Simplify the petition process for new certification fuels and eliminate unreasonable criteria for approval;
- Eliminate unnecessarily burdensome and costly requirements related to the fuel and fuel additive registration process;

- Update the “R-factor” for certification and fuel economy (CAFE) compliance calculations to better represent modern engines and fuels;
- Level the playing field for all alternative fuel vehicles, including flexible fuel vehicles (FFV), under the fuel economy and light-duty vehicle greenhouse gas program;
- Reject the results of the EPA/V2/E-89 Fuel Effects Study and suspending further use or development of the MOVES2014 model until a new emissions study based on appropriate test fuels is conducted; and
- Consult with the Department of Energy and USDA to update the lifecycle greenhouse gas (GHG) analysis of corn ethanol conducted for RFS2.

**9. To what extent should infrastructure investments made today be required to accommodate fuels anticipated to be in the marketplace of tomorrow?**

It is important that infrastructure investments today be “future proofed” and provide room for long-term expansion and growth in ethanol use. There is no reason to install a new E10 dispenser (that may be approved by the manufacturer for up to E15) today when technology is now available to allow for higher ethanol blends in the future. The same is true for storage tanks and other equipment. While the cost of higher-ethanol compatibility may be slightly higher up front, it safeguards against the need to replace equipment again in the future as new blends (e.g., E25 or E30) become more common in the coming years. Thus, we again recommend that any funding assistance provided by USDA under the proposed HBIIP be prioritized for equipment and infrastructure that offers maximum compatibility and flexibility for future fuel offerings.

**10. Please provide feedback on the effectiveness of the 2015–2019 Biofuels Infrastructure Partnership (BIP) program.**

While we appreciated the original BIP program and believe it helped advance biofuel infrastructure, it had its share of flaws and challenges. The program chose winners and losers simply because only select states partnered with USDA. This left out a significant number of retailers who were very interested in the program, but whose states or territories did not partner or participate with USDA. Even for those states that agreed to participate, the administration of the funding was far too complex, as were the guidelines for inclusion. Massive delays in disbursing the funding continued throughout the duration of the program. The negative experience for many early participants discouraged others from participating, even in states with approved funding.

As stated earlier, we believe the narrow and specific equipment eligibility requirements under the BIP program also limited participation. We believe any and all costs related to installing, refurbishing, or upgrading any physical equipment or infrastructure that facilitates the sale of higher ethanol blends should be deemed eligible for funding assistance. This should even include physical equipment like signage, pump-toppers, etc. The focus of the BIP program on

dispensers and tanks only was a barrier for most. Retailers need flexibility and do not want to focus capital where it isn't needed.

Also, fuel retailers with stations in multiple states were tasked with completing multiple applications and dealing with different state approval authorities, followed by different reporting and participation requirements for each state. This not only caused unnecessary confusion, but also discouraged some from participating. It is important that this program be administered by a centralized unbiased administrator, and that all participants are subject to the same requirements.

Finally, we do not believe the new HBIP program should be managed by, or linked to, a non-profit trade association, non-profit or for-profit trade association affiliate, or any entity that has previous or existing financial relationships with retail operators or marketers. In many cases, the companies that make up these trade organizations also supply retailers with fuel products, and thus should not be allowed to choose who receives funding assistance. It is essential that funding awards are based on the merits of the proposal submitted by the retailer or marketer, not biased by existing or historical financial or fuel supply relationships.

RFA hopes that USDA Rural Development or one of the Department of Energy's Labs (e.g. NREL) is considered as the administrator of the program, as they are experienced with similar programs.

Further, RFA hopes USDA can develop a program that is truly inclusive for all sizes of retailers, regardless of location or number of stations owned.

In closing, RFA thanks USDA for the opportunity to share our perspective. We stand ready to assist USDA and fuel retailers throughout the development and execution of this important program and we thank you for considering our recommendations.

Please contact Cassie Mullen at [cmullen@ethanolrfa.org](mailto:cmullen@ethanolrfa.org) with any questions or additional requests for information.