

Date XX, 2015

The Honorable Gina McCarthy
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator McCarthy,

We write to express significant concern with the recently proposed 2016 Renewable Volume Obligations (RVO) under the Renewable Fuel Standard (RFS). The RVO as currently proposed would constitute a breach of the ethanol blendwall, which would cause adverse impacts on American consumers and the economy.

Congress expanded the RFS when it passed the Energy Independence and Security Act of 2007 (EISA). EISA mandated an annually increasing volume of biofuel to be blended and consumed in the nation's motor fuel supply, reaching 36 billion gallons of biofuels in 2022. In 2007, the market assumptions regarding the future of transportation fuels in the United States were very different than the realities of the market today. The Energy Information Administration (EIA) at the time projected motor gasoline demand to significantly rise through 2022¹. Since then, EIA has revised its 2007 projection of motor gasoline in 2022 downward by 27% and projects motor gasoline demand to continue to decline through 2035¹.

Increased fuel efficiency has led to shrinking gasoline demand. This current reality, coupled with an increasing biofuel blending level requirement, has exacerbated the onset of the E10 blendwall—the point at which the gasoline supply is saturated with the maximum amount of ethanol that the current vehicle fleet, marine and other small engines, and refueling infrastructure can safely accommodate. We agree with the EPA's conclusion in its first RVO proposal for 2014 and in its current proposal for 2014, 2015, and 2016 that the E10 blendwall is a binding constraint.

We are gravely concerned, however, that despite the Agency's recognition of the blendwall, the 2016 proposal acknowledges that it will be breached nonetheless. Specifically, EPA states that the 2016 RVO “includes volumes of renewable fuel that will require either ethanol use at levels significantly beyond the level of the E10 blendwall, or significantly greater use of non-ethanol renewable fuels than has occurred to date.”²

¹ Energy Information Administration, *Annual Energy Outlook 2007-2015*, Reference Case Table 11

² Federal Register, Vol. 80, No. 111, Wednesday, June 10, 2015, Proposed Rules (p.33102), *EPA Renewable Fuel Standard Program: Standards for 2014, 2015, and 2016 and Biomass-Based Diesel Volume for 2017; Proposed Rule*

Multiple studies have shown detrimental economic harm may be caused by breaching the E10 blendwall. A 2014 report on the RFS by the nonpartisan Congressional Budget Office concluded that requiring the volumes of biofuel in EISA, which would breach the blendwall, could increase the price of E10 gasoline by up to 26 cents per gallon³. NERA concludes in a July 27, 2015 study that “higher gasoline prices leave consumers with less disposable income⁴”, further hindering economic growth. An RFS study by Charles River Associates concurs, “The result [of exceeding the blendwall] will be limited availability, higher consumer costs, and fewer sales of conventional transportation fuels⁵.” This adverse economic harm falls hardest on America’s lower income families.

EPA acknowledges that its 2016 RVO proposal would require significant greater use of E15 and E85 in order to meet the proposed mandate in 2016. Therefore, this proposal is problematic not only in principle, but it is also impractical since it would take decades, not months, to build out the compatible vehicle fleet and install the necessary retail infrastructure to accommodate the higher blends of ethanol. AAA calculates that only 5%⁶ of the vehicles on the road are approved to use E15 and the EIA calculates that only 6% of vehicles can use E85⁷. The refueling retail infrastructure is even more limited with only 2% of retail stations selling E85⁸ and only 100 stations nationwide selling E15⁹.

Congress will continue its work toward a bipartisan solution to dealing with the RFS. As this work continues, it is critical that EPA use its statutory authority to waive EISA’s conventional biofuel volume to keep the blending requirements below the E10 blendwall, and to help limit the economic and consumer harm this program has already caused.

Sincerely,

Bill Flores
Member of Congress

Peter Welch
Member of Congress

Bob Goodlatte
Member of Congress

Jim Costa
Member of Congress

Steve Womack
Member of Congress

³ Congressional Budget Office, *The Renewable Fuel Standard: Issues for 2014 and Beyond* (June 2014)

⁴ NERA Economic Consulting, *Economic Impacts Resulting from Implementation of RFS2 Program* (July 2015)

⁵ Charles River Associates, *Impact of the Blend Wall Constraint in Complying with the Renewable Fuel Standard* (November 2011).

⁶ American Automobile Association, Press Release “New E15 Gasoline May Damage Vehicles and Cause Consumer Confusion” (December 2012)

⁷ Energy Information Administration, *Annual Energy Outlook 2014*

⁸ Fuels Institute, *E85: A Market Performance Analysis and Forecast* (2014)

⁹ Renewable Fuels Association data (www.ethanolrfa.org)

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