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**AFPM**

# Meeting on EPA's 2014 RFS Proposal

September 26, 2013

American Fuel & Petrochemical  
Manufacturers

# 2014 Renewable Fuel Standards (RFS)

- The RFS has become unworkable.
  - EPA needs to use its waiver authority to avert the blendwall.
    - E15, E85, Biomass-Based Diesel (BBD), RIN carryover, deficit rollover cannot solve the blendwall in 2014.
    - Reliance on imports undermines statutory purpose.
  - Focus on what the 2014 rule should require and the need to exercise the RFS waiver authority.
  - Timing is important.
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# 2014 Waiver

- Waiving cellulosic and advanced volumes will not be sufficient to solve the blendwall.
- Total RFS waiver:
  - Statute 18.15 billion total renewables
  - Ethanol RINs max out at 12.88 billion ( $9.7\% * 132.8 \text{ B}$ )
  - 1.92 billion BBD RINs
  - Shortfall of 3.35 billion (minimum waiver amount)
  - Total RFS mandate < 14.8 billion gallons

# Why 9.7%

- **2012 RFS worked with ethanol at 9.7% of demand, but problems arose in 2013 at 9.8%.**
- **E0 must remain in the marketplace.**
  - Marine, classic cars, certain small engines (approx. 7000 stations in U.S.<sup>1</sup>)
  - State E0 laws
- **E15 is no solution.**
  - Vehicle, distribution infrastructure limitations
  - Liability
- **E85 is not sufficient.**
  - FFVs & Refueling Infrastructure limitations (2338 stations offer E85<sup>2</sup>)
  - MN, IA data show no E85 growth<sup>3</sup>

Sources:

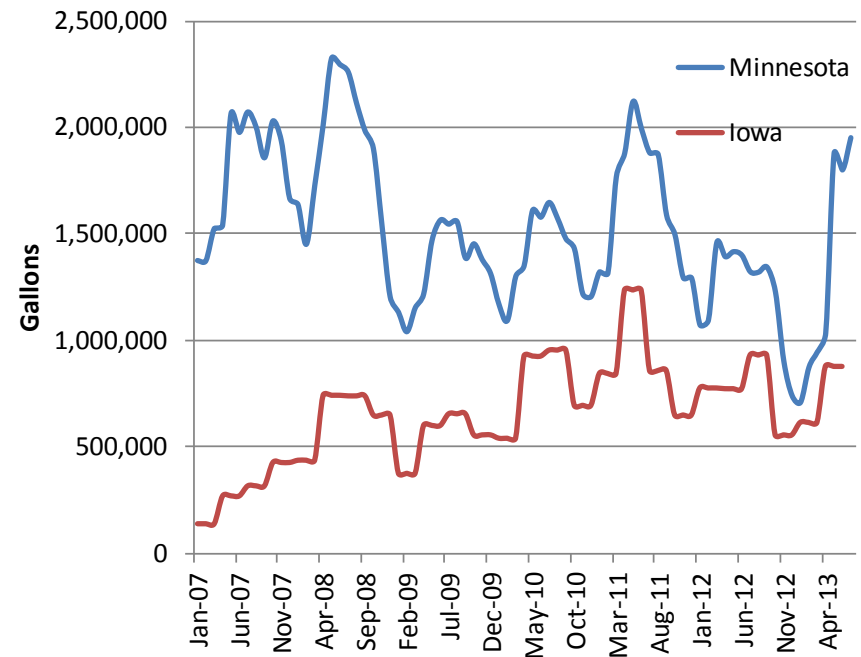
<sup>1</sup> Source: <http://pure-gas.org>

<sup>1</sup> <http://www.afdc.energy.gov/locator/stations/>

<sup>2</sup> <http://www.eia.gov/biofuels/workshop/presentations/2013/pdf/presentation-05-032013.pdf>

## Price incentives not pushing E85 above historical levels\*

### E85 Sales



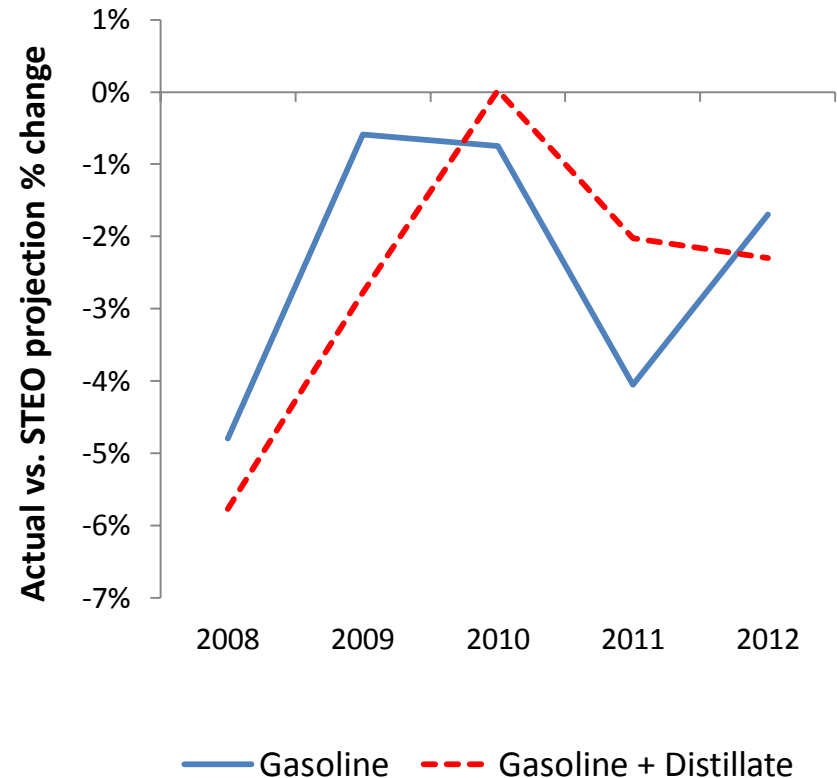
Sources: Iowa department of Revenue, Minnesota Department of Commerce

\*US energy-equivalent E85 price was 31 cents/gallon over gasoline 9/25/2013, down from 67 cents over gasoline a year ago -AAA Fuel Gauge Report

# Why 9.7% - continued

- **BBD is not sufficient.**
  - Constraints stemming from distribution infrastructure, cost, feedstocks, quality, cold weather, B5 warranty, pace of industry growth (more later)
  
- **Cannot have RIN supply perfectly match demand.**
  - Multiple participants in the RIN market, not all of them obligated parties
  - RIN inventory (carryover) needed to cushion uncertainty
  - EIA gasoline demand forecast variability (Figure)

**3% accuracy of EIA fuel demand forecasts for 2008-2012**



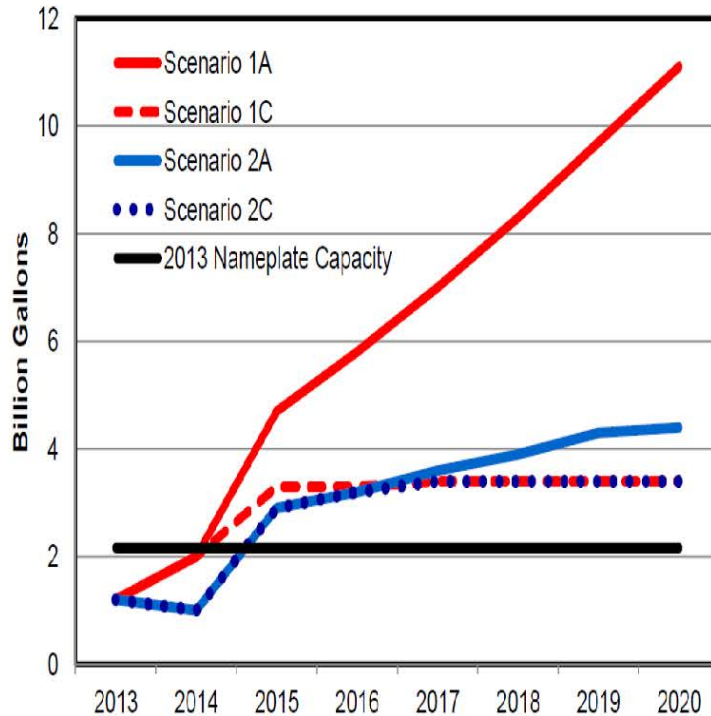
Note: EPA determines annual percentage RFS standards based on EIA's demand forecasts the previous October.

# E85 and Biodiesel (FAME) Not Solutions

## Unrealistic Volumes Required

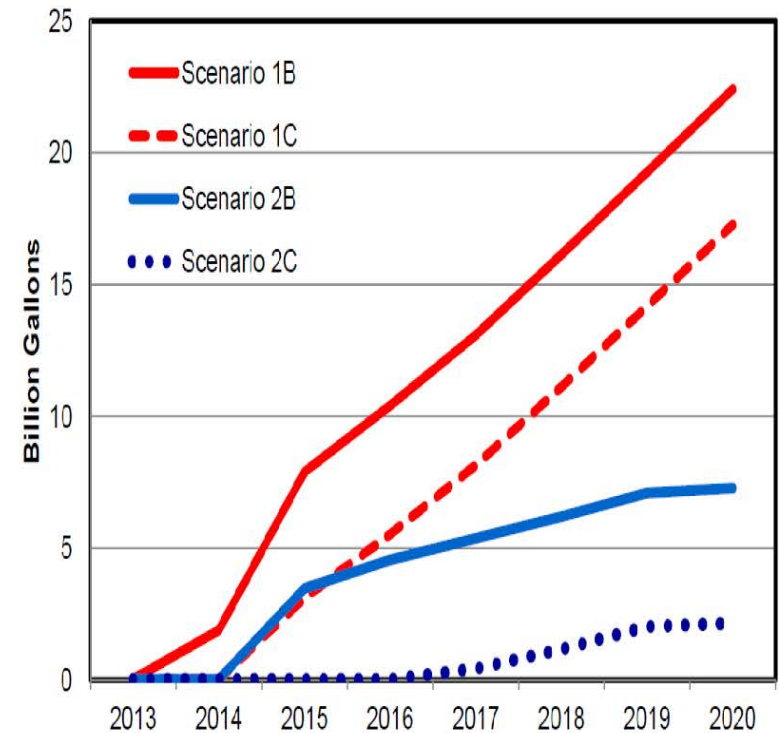


Exhibit 4: FAME Volume, by Scenario



Note: 2013 nameplate capacity from EIA website.

Exhibit 5: E85 Volume, by Scenario



Note: E85 use in 2012 was on the order of 0.1 B gallons (AEO 2013).

Scenario 1: EISA volume standards with cellulosic volumes per EIA's AEO 2013

Scenario 2: Advanced and Total Renewable EISA volumes adjusted consistent with cellulosic reduction

A and B sub-scenarios: Vary FAME and E85 respectively, keeping the other variable constant

Scenario C: Varies E85 and FAME up to B5 (5%) limit

# Waiver Cellulosic and Advanced

- Cellulosic = Actual Production (D3 & D7)
  - EMTS YTD (8 months) < 150,000 gallons (223,000 RINS)
  - EMTS August = 0
- Advanced = 1.92 billion RINs, down 1.83 from 3.75
  - BBD: Rule already 1-year late
  - Imported sugarcane ethanol
    - Statutory purpose – domestic energy security
    - Environmental – fuel shuffling
    - Imported ethanol exacerbates blendwall problem

# Timing is Important

- CAA's final rule deadline (Nov. 30, 2013)
- Retroactive Rule – Refiners begin to incur obligations on January 1
- Proposal should be released now
- Waiver petition (August 13, 2013)
- EPA should also provide indication on its intent to address the 2015 standards