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Subcommittee on Energy Policy, Health Care and Entitlements
Committee on Oversight and Government Reform
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Written Statement

Chairman Lankford, Ranking Member Speier and other members of the Committee, I appreciate the opportunity to testify on the subject of the renewable fuel standard program.

Overview of the Renewable Fuel Standard Program

The Renewable Fuel Standard (RFS) program began in 2006 pursuant to the requirements in Clean Air Act (CAA) section 211(o) which were added through the Energy Policy Act of 2005 (EPAct). The statutory requirements for the RFS program were subsequently modified through the Energy Independence and Security Act of 2007 (EISA). These provisions established new year-by-year volume standards for renewable fuel that generally must be used in transportation fuel, reaching a total of 36 billion gallons by 2022. This total includes 21 billion gallons of total advanced biofuels, comprised of 16 billion gallons of cellulosic biofuel, at least 1 billion gallons of biomass-based diesel, and the remainder consisting of "other" advanced biofuels. The revised statutory requirements also include new definitions and criteria for both renewable fuels and the

feedstocks used to produce them, including new greenhouse gas emission (GHG) thresholds. On March 26, 2010, in response to EISA, EPA promulgated regulations to implement revisions to the national renewable fuel standard program. EPA applied the best available science, and conducted extensive analyses to implement these complex and challenging statutory provisions. The regulatory requirements went into effect on July 1, 2010 and apply to domestic and foreign production of renewable fuels used in the United States.

EISA requires that EPA each year, publish the annual standards for use of total, advanced, biomass based diesel, and cellulosic renewable fuels that apply to obligated parties, which are typically refiners and importers of gasoline and diesel. The statute directs EPA to determine the projected volume of cellulosic biofuel production for the following year, and if that number is less than the volume specified in the statute, EPA must lower the cellulosic standard accordingly. EPA also has the discretion to lower the advanced biofuel and total renewable mandate up to the same amount that the cellulosic biofuel volume is reduced. Before proposing annual volume standards, EPA conducts a thorough review of the cellulosic industry, including one-on-one discussions with each producer to determine its individual production capacity. EPA also consults directly with the Department of Agriculture, the Energy Information Administration, and the Department of Energy's Bioenergy Technologies Office to determine the status of production capacity and capabilities of the cellulosic sector. Since these evaluations are based on evolving information about emerging segments of the biofuels industry, and may result in the applicable volumes differing from the statutory targets, we propose the annual volume standard through a transparent rulemaking process, allowing for public review and comment, prior to finalizing the standards.

The 2013 RFS volume standards were proposed in February 2013. The standards as proposed would maintain the total renewable fuel requirement under EISA for 2013 of 16.55 billion gallons, including volumes for advanced biofuels, such as biomass based diesel and cellulosic biofuel. A public hearing on the proposed rule was conducted on the 2013 standards on March 8, 2013. The Agency is currently in the process of reviewing the public comments in preparing to develop the final rule.

Congress also tasked EPA with evaluating and qualifying new biofuels, where appropriate, for use in the RFS program. We already have a significant list of advanced and cellulosic biofuels approved in the current RFS. We have also established a process to evaluate new biofuels for use in the RFS program. We have a number of additional petitions requesting evaluation of new biofuel production processes and new feedstock pathways. EPA has expanded the number of approved fuel pathways, including the recent finalization of a rule that includes certain renewable fuels from camelina, ethanol from energy cane, and renewable gasoline from various feedstocks. More recently the Agency proposed a rule that will expand the opportunity for use of additional new advanced biofuels, including cellulosic fuels from landfill biogas and advanced biobutanol from corn. The Agency has and will continue to work on evaluating opportunities for additional qualifying feedstock to fuel pathways under the program to support attaining Congressional goals of the RFS program.

Ethanol E10 Blendwall

Both ethanol and non-ethanol biofuels can be used to meet the RFS requirements; however ethanol has and will likely continue to be the predominant renewable fuel in the market for the near and foreseeable future. As the volume requirements of the RFS program increase, it becomes more likely that the volume of ethanol projected to meet those requirements will exceed the volume that can be consumed in the common blend ratio of 10 percent ethanol and 90 percent gasoline, referred to as E10. Additional volumes of ethanol would then need to be used at higher blend levels such as E15 or E85. As a result, to the extent that ethanol is likely to be used to meet RFS volume requirements, the volume of ethanol that can be legally and practically consumed is a limiting factor in meeting the statutory volumes.

Compliance under the RFS program is demonstrated through the use of Renewable Identification Numbers (RINs), which document the production and distribution of renewable fuel. For 2013, we expect compliance with the RFS standards through the use of RINs generated in 2013 and those generated in 2012 that are available under the regulations for use (carryover RINs) in complying with 2013 standards.

In 2014, the situation could be different. There are a number of factors that will play a role in determining how regulated parties will demonstrate compliance with the applicable RFS volumes. First, the advanced biofuel and total renewable fuel requirements rise substantially to 3.75 billion gallons and 18.15 billion gallons, respectively. While non-ethanol biofuels are anticipated to continue to grow to help supply the advanced biofuel standard, an estimated 16

billion gallons or more of ethanol might still be needed to comply with the RFS program in 2014. Second, the number of carryover RINs from 2013 will also be a critical factor in determining how obligated parties show compliance with the 2014 RFS volume requirements. EPA will continue to engage with stakeholders on this issue as we move to propose the RFS volume requirements for 2014.

Given these facts, we will continue to look at the potential impacts of the E10 blendwall over the near and longer term. We are also reviewing comments submitted in response to the agency's proposed rulemaking for the 2013 RFS volume standards and we will carefully consider this input.

Closing

EPA will continue to work with our partners, stakeholders, and the public to implement the RFS program as directed by Congress. EPA will also further evaluate and consider whether any further action under the authorities established by Congress is appropriate to help ensure orderly implementation of the program.

Again, I thank you for the opportunity to serve as a witness at this hearing for the Subcommittee.

Biography of
Christopher Grundler
Director, Office of Transportation and Air Quality
U.S. Environmental Protection Agency

Christopher Grundler is the Director of the Office of Transportation and Air Quality (OTAQ) for the U.S. Environmental Protection Agency (EPA). Prior to being appointed Director, he served as the Deputy Office Director and Chief Executive of the National Vehicle and Fuel Emissions Laboratory located in Ann Arbor, Michigan. He and a staff of nearly 400 employees strive to protect public health and the environment by reducing air pollution from transportation vehicles, engines, and the fuels used to operate them.

Grundler and his team establish and implement national emissions standards for transportation fuels and vehicles, as well as a variety of off road equipment. These mobile sources include cars and light trucks, heavy trucks and buses, nonroad engines, marine vessels, and airplanes. OTAQ is also responsible for implementing important aspects of the Energy Independence and Security Act, including establishing national renewable fuel standards. OTAQ is continuously evaluating a wide variety of advanced technology strategies which have the potential to reduce harmful emissions and fuel consumption.

Since joining EPA in 1980, Mr. Grundler has held a number of senior leadership positions within the Agency including Director of the Office of Federal Facilities Enforcement and Director of the Great Lakes National Program Office. Mr. Grundler has also served at the U.S. Department of Energy, where he helped create the Department's first environmental audit program. Mr. Grundler has been awarded the Gold Medal for Exceptional Service, EPA's highest honor. In 2008 he received the Presidential Award for Meritorious Senior Executives.

Mr. Grundler was part of the team that developed the nation's first greenhouse gas emission standards for both light- and heavy-duty vehicles. Prior to that, he helped bring a slate of clean diesel standards for cars, trucks, and construction equipment. In addition, he administered a five year modernization program for EPA's National Vehicle and Fuel Emissions Laboratory, the nation's premier facility for testing and evaluating clean automotive technology.

Mr. Grundler holds a Bachelor of Science degree in Civil and Environmental Engineering from the University of Michigan. He was raised in Michigan and divides his time between Washington, D.C. and Ann Arbor, Michigan.