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Written Statement

Chairman Whitfield, Ranking Member Rush 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 amended by 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 (GHG) emission thresholds. Advanced and cellulosic biofuel must achieve at least a 50 and 60 percent reduction, respectively, in lifecycle greenhouse gases compared to the 2005 baseline average gasoline or diesel fuel that it replaces. 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 each year EPA 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 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 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 have established a process to evaluate new biofuels for use in the RFS program and already have approved a significant list of advanced and cellulosic biofuels. A number of additional petitions requesting evaluation of new biofuel production processes and new feedstock pathways have also been received. 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.

EPA is working with stakeholders to improve implementation of the RFS program. Compliance under the RFS program is demonstrated through the use of Renewable Identification Numbers (RINs), which document the production and distribution of renewable fuel. Obligated parties supported the use of RINs to provide them added flexibility in meeting the RFS standards. In February, EPA proposed to establish a voluntary quality assurance program for verifying the validity of RINs. This voluntary program was proposed after receiving extensive input from the oil and renewable fuels industries and is intended to improve RIN market liquidity and efficiency and improve the ability of renewable fuel producers to sell their RINs. EPA expects that this program, when finalized, will make the RFS program more efficient and effective. We are currently in the process of reviewing public comments on the proposal.

E10 Blend Wall

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 to meet increasing RFS levels or significant additional volumes of non-ethanol biofuels would be needed. 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.

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 conventional and advanced 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 blend wall 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.