



**Written Testimony of
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AAA

Before the U.S. House Committee on Energy and Commerce

Subcommittee on Energy and Power

***Written Testimony on “Overview of the Renewable Fuel Standard:
Stakeholder Perspectives”***

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Summary

AAA believes that ethanol blended fuels have the potential to provide drivers with a welcome choice at the pump, which supports American jobs, promotes American energy independence and can save Americans money. In order to realize these benefits, it is imperative that increased ethanol blends — or any new fuels — are only brought to market when consumers have been clearly informed and protected. The introduction of E15 gasoline to consumers has failed to meet this obligation.

The first step for a new fuel being introduced to market is thorough and thoughtful testing of how it will impact consumers and their vehicles. This should include research that looks at the full impact of fuel use on emissions, fuel systems, drivability, fuel efficiency and retail distribution to motorists. The fuel should not be approved for use in any vehicle or equipment that is not proven appropriate. While EPA testing of E15 was extensive it did not study the full impact of the fuel on a vehicle. Industry testing has subsequently raised real concerns of potentially costly damage from sustained use of higher ethanol blends.

Second, there must be effective coordination between regulators, fuel retailers and auto manufacturers. This has not occurred. Many retailers are rightly concerned with the cost and liability of offering higher ethanol blended fuels. Additionally, a survey conducted by AAA found auto manufacturers advise that only five percent of vehicles on the road are approved to use E15 — a stark contrast to the more than fifty percent that the EPA has advised can use the fuel.

Finally, it is vital for regulators to work closely with industry stakeholders to ensure appropriate outreach to consumers to mitigate the risk of misfueling. This outreach has not taken place, as evidenced by another AAA survey, which found that more than 95% of consumers had not heard of E15. In the best of circumstances, when filling up at a pump that dispenses the fuel, motorists have only a 3 and 5/8 inches wide by 3 and 1/8 inches high label to warn that they may be using a new product not designed for use in their vehicle. As AAA noted in our public comments submitted to the EPA in 2011, this label alone is insufficient.

Some groups have chosen to misrepresent AAA's position and the reasons that we have called for E15 sales to be suspended, rather than discuss the material concerns we have raised on behalf of motorists. AAA is not opposed to ethanol. Furthermore, AAA would support a motorists' right to choose E15 but not until the impact on vehicles is clear and only once basic thresholds of consumer education and protection have been met.

With this goal in mind, AAA has called on regulators and industry to suspend the sale of E15 until motorists are better protected. We welcome the Subcommittee's support in achieving this goal.

When reviewing the RFS requirements for 2014, EPA should consider whether adjustments are necessary or if target volumes can be met without putting consumers at risk. AAA's focus is on protecting consumers. If the adoption of E15 is critical to meeting the RFS, AAA calls upon parties involved do everything possible to educate motorists and work with automakers to ensure adequate consumer protections are first in place. If the only way to meet the RFS requirement is to introduce E15 before agreement has been reached on which vehicles can safely use it and the consumer has been adequately educated, then the RFS requirement should be modified.

Testimony

Thank you, Chairman Whitfield and Ranking Member Rush, for the opportunity to testify at today's hearing. My name is Bob Darbelnet, and I am the president and CEO of AAA.

AAA is a not-for-profit, fully taxpaying federation of motor clubs in the U.S. and Canada. AAA provides more than 53 million members with travel, insurance, financial and automotive-related services. Since its founding in 1902, AAA has been a leader and advocate for the safety and mobility of all travelers.

Our advocacy ranges from issues as diverse as distracted driving and teen driver safety, to tracking retail gasoline prices, to forecasting holiday travel patterns, to partnering with regulators to develop and implement more consumer-friendly fuel economy labels. We believe that consumer protection and education, supported by clear and thoughtful research, is not just a priority, it is an obligation.

I understand that today's hearing today will focus broadly on the Renewable Fuel Standard (RFS) which was created in 2005 and expanded in 2007. AAA is not opposed to ethanol and we have not opposed the RFS. We are very concerned with the way that one particular new ethanol blended fuel has been brought to market and is being sold to consumers: E15.

AAA believes that ethanol blended fuels have the potential to provide drivers with a welcome choice at the pump, which supports American jobs, promotes American energy independence and can save Americans money. In order to realize these benefits, it is imperative that increased ethanol blends — or any new fuels — are only brought to market when consumers have been clearly informed and protected. The introduction of E15 gasoline to consumers has failed to meet this obligation.

In November of last year — several months after E15 was first sold to motorists — a AAA survey found that 95 percent of consumers had never heard of the fuel. Additionally, despite the Environmental Protection Agency (EPA) waiver, allowing the use of E15 gasoline in model year 2001 and newer vehicles, we learned that far fewer vehicles — a scant five percent — were actually approved for use

under warranty by their manufacturer. Most alarmingly, this new fuel entered the market without adequate protections to prevent misfuelings and despite remaining questions about potential vehicle damage, even for EPA-approved 2001 and newer vehicles. For these reasons, AAA called on the EPA and retailers to suspend the sale of E15 until motorists were better protected.

As the Subcommittee is aware, the EPA was first petitioned in 2009 to allow the sale of E15. Since that initial request, AAA has worked extensively with the Agency to ensure that the fuel blend would only be sold to motorists if it could be done in a way that did not put them at risk. When I testified before House Committee on Science, Space and Technology five months ago, E15 was for sale at a handful of stations in three states. Today, despite continuing evidence that drivers are not aware of the fuel and could be unknowingly putting their cars in jeopardy, the number of states has doubled. Twenty gas stations in Nebraska, Iowa, Kansas, South Dakota, Illinois and Wisconsin are selling E15, and there is a strong likelihood that retailers will sell this fuel in additional states soon unless immediate action is taken to protect consumers. To understand what steps are necessary to correct the current lack of protection and education, it is essential to understand the process necessary for the successful introduction of any new fuel.

In our view, the first step for a new fuel being introduced to market is thorough and thoughtful testing of how it will impact consumers and their vehicles. This should include research that looks at the full impact of fuel use on emissions, fuel systems, drivability, fuel efficiency and retail distribution to motorists. The fuel should not be approved for use in any vehicle or equipment that is not proven appropriate.

Next, it is critical to implement consumer education efforts to ensure that the new product is only used as directed. This includes sufficient steps to prevent misfuelings, including, but not limited to, consumer protections at the pump and education efforts to ensure motorists are fully aware of the fuel they are using in their vehicle. The importance of these steps only increases in the event of a partial waiver, where there is significantly greater potential for motorist confusion and misfueling.

Finally, it is vital for regulators to work closely with industry stakeholders to ensure that manufacturers support federally-approved fuels marketed as safe to consumers. This is an essential final step to prevent motorists from unknowingly using a fuel their vehicle's manufacturer does not deem safe and that could potentially void their warranty and leave them liable for costly repairs.

E15 has been introduced into the market without the successful completion of any of these necessary steps.

Supporters of E15 rightly note that the Department of Energy (DOE) rigorously tested the fuel for exhaust emissions and components. This is consistent with the EPA's mission. It was however neither the rigor nor the duration of this testing that fell short, it was the scope of impact that these tests were designed to capture. After reviewing this research, along with other studies that have been conducted, AAA's automotive experts have concerns about reduced engine life and fuel pump failure from E15 use — factors that DOE testing was not structured to measure.

AAA would support E15 gasoline coming to market, but only following complete and conclusive testing demonstrating it was safe for approved vehicles and once necessary consumer awareness and protections were put in place.

Consumer education efforts to date and safeguards at the pump are also severely lacking. As previously discussed, AAA found that more than 95% of consumers have not heard of E15. In the best of circumstances, when filling up at a pump that dispenses the fuel, motorists have only a 3 and 5/8 inches wide by 3 and 1/8 inches high label (attached) to warn that they may be using a new product not designed for use in their vehicle. As AAA noted in our public comments submitted to the EPA in 2011, this label alone is insufficient. It is easily overlooked by motorists among the other stickers and signage on the pump and the final version is a watered-down and less attention-grabbing version of the initial label proposed by the EPA. The risk is only more alarming considering a recent survey referenced by the National Marine Manufacturers Association that found 35 percent of the current registered sellers of E15

— six of the then 18 registered program sites — had not even bothered to label the pump at all. This combination of uninformed consumers and insufficient identification at the pump puts motorists at unnecessary and unacceptable risk and is a recipe for misfuelings and vehicle damage.

Finally, both the EPA and the Renewable Fuel Association (a vocal supporter of E15's approval), agree that "it may be necessary for consumers to consult their vehicle manufacturer's website or an authorized dealership, to determine recommendations on the use of E15 in their vehicle." AAA took the guesswork out of that recommendation and checked. Automakers have approved less than 5% of cars on the road to use E15.

This leaves a substantial gap between the limited number of vehicles that automakers will cover and the slightly more than 50% of vehicles the EPA has approved to use the fuel. This sort of conflicting information confuses motorists, and AAA believes it is both premature and irresponsible to sell E15 to consumers while these issues remain unresolved.

While supporters publically and vocally deny and dismiss the potential damage to motorists' vehicles and fueling infrastructure that E15 may cause, these same groups do admit that higher ethanol blends may cause damage when it suits their business interests.

In a USA Today article in November 2012, Bob Dinneen, CEO of the Renewable Fuel Association (RFA), stated "there are no corrosive issues with E15. If there's an issue with E15 (damaging vehicles) we're going to know about it." This statement is in stark contrast to the RFA's own "E15 Retailer Handbook," which clearly outlines potential issues with the fuel. The handbook not only advises retailers that "some Underground Storage Tank systems and related underground equipment may not be compatible with E15 blends" but also cites the Underwriters Laboratories' warning that "some equipment, both new and used... demonstrated limited ability to safely accommodate exposure to fuels such as E15."

Perhaps most alarmingly, the renewable fuels industry testified before Congress in support of the Domestic Fuels Protection Act. This legislation was appropriately named in that it provided blanket

liability protections to fuel producers, while providing no protections to motorists. If these proponents of higher ethanol blends aren't confident enough to take responsibility for the risks of E15, it is not just inappropriate but inexcusable that the risk be passed on to unsuspecting consumers.

Some groups have chosen to misrepresent AAA's position and the reasons that we have called for E15 sales to be suspended, rather than discuss the material concerns we have raised on behalf of motorists. AAA is not opposed to ethanol. Furthermore, AAA would support a motorists' right to choose E15 but not until the impact on vehicles is clear and only once basic thresholds of consumer education and protection have been met.

With this goal in mind, AAA has called on regulators and industry to suspend the sale of E15 until motorists are better protected. We welcome the Subcommittee's support in achieving this goal.

The Subcommittee today will be focusing more broadly on the merits and shortcomings of the RFS. As this discussion progresses, I would urge you to keep American consumers front of mind. When reviewing the RFS requirements for 2014, EPA should consider whether adjustments are necessary or if target volumes can be met without putting consumers at risk. AAA's focus is on protecting consumers. If the adoption of E15 is critical to meeting the RFS, AAA calls upon parties involved do everything possible to educate motorists and work with automakers to ensure adequate consumer protections are first in place. If the only way to meet the RFS requirement is to introduce E15 before agreement has been reached on which vehicles can safely use it and the consumer has been adequately educated, then the RFS requirement should be modified.

Thank you again to the Subcommittee for the opportunity to testify here today and I look forward to your questions.

ATTENTION

E15

Up to 15% ethanol

Use only in

- 2001 and newer passenger vehicles
- Flex-fuel vehicles

Don't use in other vehicles, boats, or gasoline-powered equipment. It may cause damage and is **prohibited** by federal law.