U.S. House of Representatives

Committee on Energy and Commerce

Subcommittee on Energy and Power

Overview of the Renewable Fuel Standard

Testimony of Jack N. Gerard

President and CEO of the American Petroleum Institute

July 23, 2013

Good morning Chairman Whitfield, Ranking Member Rush, and members of the Subcommittee. Thank you for the opportunity to address API's concerns with the Renewable Fuel Standard.

API represents all sectors of America's oil and natural gas industry, supports 9.2 million American jobs; 7.7 percent of the U.S. economy, delivers more than $85 million a day in revenue to the federal government and is responsible for delivering most of the energy that drives our nation's economy; a responsibility that we take very seriously.

Which is why we are extremely concerned about the risk the RFS poses to our economy and to millions of consumers.

In 2007, when Congress created the RFS, the energy market and our nation's energy landscape were very different.

The RFS was designed to reduce greenhouse gas emissions; make our nation more energy secure and provide a reliable domestic source of energy that would lessen energy imports from less stable regions.

Today we are closer to achieving these important goals; unfortunately not because of the RFS;

but because of the oil and natural gas industry's technological advances and vastly expanded energy resources.

This 21st century energy renaissance has driven our nation's CO2 emissions near a twenty year low; made us the number one producer of natural gas and put us on track to become the world's largest producer of oil in just a few years.

Put simply, the RFS, while well-intentioned, is today completely untethered from reality, and unless it is immediately halted will unnecessarily cost our economy and consumers billions of dollars.

In fact, the RFS and its requirements are already beginning to drive up energy production costs. The best example is the price volatility in the Renewable Identification Numbers or RINs, which refiners must obtain when blending renewable fuels into gasoline and diesel.

RINs are becoming increasingly scarce due to the impending E10 blend wall, which is the point at which the RFS mandate exceeds the safe limit of ethanol in America's fuel supply. These higher ethanol volumes in America's fuel supply would void millions of car warranties.

Today, RIN prices are near an all-time high, which, according to an editorial in Saturday's Wall Street Journal, translates into a ten cent per gallon ethanol tax on consumers at a total cost to the economy of $ 14 billion.

Other experts, such as the Energy Policy Research Foundation Inc. (EPRINC) estimate the program could increase the price of gasoline from 20 cents per gallon to as much as $1.00 per gallon by next year.

Further, according to a study conducted by NERA Economic Consulting, exceeding the blend wall could result in diesel fuel costs rising by as much as 300 percent and a 30 percent increase

in gasoline costs by 2015. In broad economic terms, the RFS could cause a $770 billion decrease in U.S. GDP by 2015 and reduce take home pay for American workers by $580 billion.

And in an “only in Washington” turn of events, the RFS also mandates the use of a fuel that simply doesn’t exist. Currently, the amount of commercially available advanced cellulosic biofuels in the market doesn’t come close to meeting the arbitrary requirements of the RFS. In other words, RFS mandates the use of a phantom fuel that could cost American consumers millions.

All of which leads to the inescapable fact: The RFS isn’t just a relic of America’s bygone era of energy scarcity; it is a grave economic threat and must be stopped immediately.

The real tragedy is that this can all be prevented right now.

To that end, we again call on the administration to immediately waive down the volume requirements to below 10 percent for 2013 and 2014 and for Congress to finally repeal this fundamentally broken law.

Because the stakes are simply too high for inaction, which could cost consumers millions of dollars, place at risk small engines and automobiles, and ultimately harm our economy.

Thank you for your time and attention today.