The subcommittee met, pursuant to call, at 10:00 a.m., in Room 2123 Rayburn House Office Building, Hon. John Shimkus [chairman of the subcommittee] presiding.

Members present: Representatives Shimkus, McKinley, Barton, Olson, Johnson, Flores, Hudson, Walberg, Carter, Duncan, Walden (ex officio), Tonko, Ruiz, Peters, Green, McNERNEY, Mr. Loebsack.

Staff present: Jerry Couri, Chief Environmental Advisor;
Wyatt Ellertson, Research Associate, Energy/Environment; Adam Fromm, Director of Outreach and Coalitions; Ali Fulling, Legislative Clerk, Oversight & Investigations, Digital Commerce and Consumer Protection; Jordan Haverly, Policy Coordinator, Environment; Mary Martin, Deputy Chief Counsel, Energy & Environment; Sarah Matthews, Press Secretary, Energy & Environment; Brandon Mooney, Deputy Chief Energy Advisor; Caitlin Haberman, Minority Professional Staff Member; Rick Kessler, Minority Senior Advisor and Staff Director, Energy and Environment; Alexander Ratner, Minority Policy Analyst; Tim Robinson, Minority Chief Counsel; Andrew Souvall, Minority Director of Communications, Outreach and Member Services; Teresa Williams, AAAS Fellow.
Mr. Shimkus. The Subcommittee on the Environment will now come to order.

Before I do my opening statement, I want to -- my last chance to be in the chair I want to thank the loyal opposition and the minority.

I think the subcommittee has had a pretty good record of moving some very contentious pieces of legislation from TSCA to the Safe Drinking Water Act to Brownfields to the nuclear waste reauthorization language that passed 340 to 72.

In all honesty, couldn't do it without your help and so I want to publicly say that and thank you.

I'll now recognize myself for five minutes for an opening statement.

Good morning, and thank you all for being here. Given the large number of witnesses and in the interest of maximizing time for questions and discussions, I will keep my opening as brief as possible and welcome others to do the same.

Over the last two years, many of you have heard me say transportation fuels legislation was one of my "reach goals" for this Congress.

To that end, interested members participated in three stakeholder roundtables to get this conversation started and the
Environment Subcommittee held five hearings to further explore the future of transportation fuels.

I want to thank Chairman Walden for not just allowing but encouraging this effort. I also want to thank the witnesses before us today who actively engaged in those roundtables and hearings, and I especially want to thank Congressman Flores who co-authored the resulting Discussion Draft with me.

Rather than looking at individual federal transportation fuel policies on their own, the draft 21st Century Transportation Fuels Act takes a wider view of those policies and considers how they might work together to bring more value to consumers and more certainty to stakeholders.

The draft would transition from blend-specific mandates to performance-based standards for future fuels and vehicles, remove long-standing barriers to the availability and usability of higher ethanol blends, provide an additional decade of certainty for advanced biofuels, and harmonize EPA and DOT vehicle efficiency programs.

The need for this type of comprehensive reform is timely. Stakeholders on all sides of this debate have been whipsawed by months, by rumors and actual administration actions, and that uncertainty will only increase after 2022 when EPA receives even
broader discretion to set biofuel blending requirements.

In fact, given EIA projections of declining liquid transportation fuel demand, it's difficult to envision a post-2022 scenario in which biofuel volumes would not actually be lower than they are today.

I look forward to a constructive dialogue about what the future holds as well as what the Discussion Draft would mean for the various stakeholders.

And with that, I yield the remainder of my time to Mr. Flores. Mr. Flores. Thank you, Mr. Chairman.

I appreciate you calling this hearing on today's Discussion Draft. I'd also like to extend a warm welcome to one of the folks that grew up in the same little town I did up in the Texas Panhandle, Mr. Wesley Spurlock. Great to have you here as a witness.

Since the RFS was first established in 2005 and expanded in 2007, much has changed in the market for transportation fuels. If federal policies are not routinely evaluated and updated to reflect market conditions, consumers end up having less than optimal choices.

Let me give you a few examples of the concerns that have been raised before this committee about the current status quo
of American fuels policy.

Number one, biofuels producers raise concerns on the annual implementation of the RFS and other regulatory barriers to the market.

Two, refiners face increasing cost of complying with the RFS.

Three, automakers face challenges in complying with efficiency programs under two different agencies inside the EPA and the DOT.

As Chairman Shimkus -- number four, some environmental communities believe that the current generation ethanol or general ethanol is an environment -- creates environmental problems.

As Chairman Shimkus stated, the 21st Century Transportation Fuel Act Discussion Draft takes a larger view of federal transportation fuel policies.

This draft incorporates into legislative text many of the ideas from three bipartisan roundtables and five subcommittee hearings.

For consumers, higher octane fuels can bring increased economy and performance for the next generation of engines for stakeholders transitioning to the RFS.

Transitioning RFS to national octane standards creates a
new market opportunity for biofuels producers and gives compliance certainty to refiners and automakers.

And before the panel starts, I have a few reflections on the testimony that I read today. One is we have to put the consumers and the environment first, not our self-interest.

Number two, the choice is clear. We can either go with the status quo, which almost everybody has said is broken, or we can have a compromise solution because I can guarantee you there is not going to be a perfect solution that's going to make each of you 100 percent happy.

These organizations spent valuable time giving feedback on this and that constructive feedback was appreciated. Some organizations spent their time bashing other stakeholders. That was not productive.

And so the thing I would ask you is to stay engaged and remember that we don't all get 100 percent of what we want. We are trying to come up with an optimal solution for the consumers and the environment.

Thank you, and I yield back the balance of my time.

Mr. Shimkus. The gentleman yields back his time.

The chair now recognizes the ranking member of the subcommittee, Mr. Tonko, for five minutes.
Mr. Tonko. Thank you, Chair Shimkus.

And Mr. Chair, I do want to thank you for your leadership of the subcommittee and your cooperative spirit that has moved us along in the right direction.

I agree with your assessment. We have been productive and very successful as a subcommittee. And I thank our witnesses, not just for joining us this morning but also for your input in this process over the course of the 115th Congress.

Before we go any further, I do want to recognize Chair Shimkus and Mr. Flores for all the work that went into producing this Discussion Draft. For the past two years, the subcommittee has hosted three stakeholder roundtables and five hearings on transportation fuels policy.

As we heard at previous hearings, this is a complicated problem with no easy solution. So I appreciate the effort that went into developing the proposal.

These members were given an incredibly difficult assignment, trying to find common ground on an issue where many stakeholders say it does not exist.

While I have some serious concerns with the draft as it is currently written, I do think that the chair and Mr. Flores have done an admirable job and conducted a process in good faith to
try to create that common ground.

For the past two years, we have heard about issues with the implementation of the Renewable Fuel Standard program, which has existed under administrations from both parties.

In my mind, the program can certainly be improved. We will hear about the use of small refinery waivers and the challenges with pathway approvals this morning and, despite some flaws, I believe it is critical, whether through RFS or another program, that the benefits of our nation's clean energy transition are shared throughout the country including rural communities.

Unfortunately, this administration's actions indicate that they do not share this belief. We have seen it through unnecessary trade disputes that hit farmers hardest. We have seen it when the president continues to deny the threat of climate change, despite the National Climate Assessment's finding that changes in precipitation coupled with rising extreme temperatures could reduce Midwest agricultural productivity to levels of the 1980s before mid-century.

These types of actions are harming and will continue to harm rural economies and undermine the goals of the RFS. We should be working on legislation that meets our collective need for a cleaner energy future while directly benefitting and creating
opportunities in rural communities.

From the start of this process I have told stakeholders that I support the RFS or its potential replacement to the extent that it results in fewer greenhouse gas emissions.

I am not certain that would be the outcome under the proposal before us. So while I look forward to hearing everyone's feedback, I do have concerns in its current form.

I specifically want to mention the proposal's changes to the CAFE program in Title 3 of the draft. Perhaps all of today's witnesses will acknowledge the potential for high octane fuels as a method to achieve fuel economy standards.

If CAFE compliance will become easier through a high octane performance standard on top of the administration's freeze of previously announced standards, I do not think we should also provide additional credits to achieve compliance as would occur under Title 3.

If we really want to drive efficiency and innovation while creating certainty, this Discussion Draft should drop the so-called harmonization language and include legislation written by our colleague, Ms. Matsui, to preserve the previously-announced CAFE standards.

Finally, I want to say perhaps the only thing that will unite
today’s witnesses -- granted, it is unity through opposition. It is my belief that the federal government should be advancing policies that reduce demand and reliance on liquid fuels. I am not naive enough to think this will happen overnight. But we know that the transportation sector is now the greatest source of greenhouse gas emissions in the United States and that our climate policy must address it.

Earlier this year, we held a hearing that focused on electrification. But, sadly, none of the ideas discussed are reflected in the 21st Century Transportation Fuels Act. If we are going to do a major overhaul of federal fuel and vehicle programs, we must look at how to further promote EVs as well.

For the time being, while liquid fuels continue to be the predominant energy source in transportation, these fuels should be as clean and used as efficiently as possible.

I thank you again, Mr. Chair, for your hard work on developing this proposal and with that, yield back.

Mr. Shimkus. The gentleman yields back his time.

The chair now recognizes the chairman of the full committee, Chairman Walden, for five minutes.

The Chairman. Thank you, Mr. Chairman.
I appreciate that, and I want to thank you and Mr. Flores and others for their work on this recent release of your Discussion Draft on the topic of our hearing today.

You have done an amazing job on this and it is tough work, and I appreciate the seriousness that you have brought to this matter and I am glad you have followed through on your promise to push toward a legislative solution rather than let the traditional parties on this issue comfortably sit in their foxholes in perpetuity.

It is one of the reasons why this hearing today is so important. This draft did not happen overnight.

We all know that, and I want to acknowledge and commend the countless hours both you and Mr. Flores and our staffs and your staffs have spent trying to figure out what makes sense for our nation's transportation fuel mix.

As you have already said, Mr. Chairman, over the past two years, this subcommittee has held three roundtable discussions to educate members and another five hearings -- today marking the sixth -- to fine tune the committee's understanding of a range of issues related to liquid fuels and the motor vehicles powered by them.

Throughout this process, I have been struck by the
This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee’s website as soon as it is available.

acknowledgment that liquid-fuel-powered motor vehicles are expected to be the dominant type of vehicle used by Americans for decades to come and no one knows what is going to happen regarding our nation’s renewable fuel mix beginning in 2023, which is why this draft is so important.

By transitioning to higher octane fuel blends and vehicles whose engines are designed to maximize fuel efficiency, we can both incorporate more renewable liquid fuels into the fuel supply while also increasing miles per gallon for consumers.

I am pleased the Discussion Draft includes provisions I strongly support, especially the one which removes the gross inequity in federal fuel policy regarding wood and forest management, so that woody biomass can play a larger role in the RFS program.

But as the chairman stated, this draft is not a final product. We all know that. Getting this policy right is not easy, especially with complex and sometimes contentious issues like the Renewable Fuel Standard and vehicle fuel economy standards.

Like any major legislation just starting out, it needs additional refinement. I am interested in learning from stakeholder expertise about what necessary refinements are needed
for this bill and to hear about any important items that are not contained in it but that you believe should be.

I am also concerned about what makes sense for the interests of consumers, especially as it relates to access to and pricing for and the availability and quantity of the engines and fuels that consumers demand or that federal legislation requires.

These are issues that were tangentially discussed in our hearings, but I feel can only be appropriately honed when people are evaluating a concrete proposal and providing real feedback about the best way to accomplish these goals.

So to me, the bottom line is that new fuels and vehicles must first and foremost deliver benefits to consumers while improving our environment.

I know some folks will want to discuss electric vehicles in conjunction with this bill and, frankly, as a hybrid driver on both coasts, I am certainly interested in hearing more on this subject. But liquid fuels for motor vehicles and the looming question arising in 2023 make the most sense to tackle right now.

As I said at our third hearing, as things stand right now I have great concerns about the viability of EVs in meeting the needs of rural America, not to mention range and price issues that make EVs unrealistic for many Americans today, even as new
innovations make their use more and more reasonable for many in our urban and suburban areas.

I want to welcome our witnesses and those who chose to send the committee their comments to be included in the record. I look forward to learning from stakeholder expertise and really appreciate you all being here today.

I know some interests have chosen either to be hypercritical or not to offer suggestions. But recognizing time is short for addressing this issue in a timely manner, I think they do so at the peril of their members.

With that, Mr. Chairman, I thank you and Mr. Flores and others for your work and I yield back the balance of my time.

Mr. Shimkus. The gentleman yields back the balance of his time.

The ranking member of the full committee is not able to be here. So we will now conclude with members' opening statements. The chair would like to remind members that pursuant to committee rules all members' opening statements will be made part of the record.

We want to thank our witnesses for being here today and to testify to the subcommittee. Today's witnesses will have the opportunity to give opening statements followed by a round of
And our first witness panel is seated. I will introduce you as you're asked to speak and we would like to start with Mr. Steve Zimmer, executive director, United States Council for Automotive Research, USCAR.

Sir, you are welcome and you're recognized for five minutes.
STATEMENTS OF STEVE ZIMMER, EXECUTIVE DIRECTOR, UNITED STATES COUNCIL FOR AUTOMOTIVE RESEARCH; R. TIMOTHY COLUMBUS, SENIOR COUNSEL, STEPTOE AND JOHNSON LLP, ON BEHALF OF NATIONAL ASSOCIATION OF CONVENIENCE STORES AND SOCIETY OF GASOLINE MANUFACTURERS; WESLEY SPURLOCK, PAST PRESIDENT AND CHAIRMAN, NATIONAL CORN GROWERS ASSOCIATION; EMILY SKOR, CEO, GROWTH ENERGY; GEOFF COOPER, PRESIDENT AND CEO, RENEWABLE FUELS ASSOCIATION; CHET THOMPSON, PRESIDENT, AMERICAN FUEL AND PETROCHEMICAL MANUFACTURERS

STATEMENT OF MR. ZIMMER

Mr. Zimmer. Thank you.

Chairman Walden, Chairman Shimkus, Ranking Member Tonko, and members of the committee, my name is Steve Zimmer, executive director of the United States Council for Automotive Research, LLC, also known as USCAR.

It's a collaborative automotive technology research organization of FCA US, Ford Motor Company and General Motors.

USCAR provides a legal framework for its three members to conduct non-competitive research supporting a broad technical research portfolio in eight broad areas: power trains, electrification, electronics, batteries, hydrogen and fuel
cells, manufacturing safety and materials.

The research conducted at USCAR results in a shared knowledge base that enables development of new automotive technologies that solve industry-wide challenges and strengthens the U.S. auto industry.

This approach supports multiple pathways to continually improve or evolve new automotive propulsion systems that meet current and future fuel efficiency, emissions and safety requirements, and creates innovative and environmentally responsible solutions for customers.

Each USCAR member has its own independent research organization and portfolio, but at USCAR they work together. These research tasks would be impossible to achieve as quickly, if at all, as individual companies.

I appreciate the committee's invitation to appear today to address the Discussion Draft for the 21st Century Transportation Fuels Act. As you know, personal mobility is changing at an unprecedented pace.

The automobile industry has and will deliver mobility options that balance many technical, safety, and society requirements for the driving public.

However, now more than ever all major mobility stakeholders
must better coordinate and develop integrated energy and mobility strategies together.

This committee's Discussion Draft is a great milestone and excellent example of such an integrated approach. Setting a national minimum octane standard is a necessary step towards the continuing development of the next generation of high-efficiency vehicles.

We commend the committee and the industry stakeholders involved and for their collaboration in this effort. We believe the proposed increase to 95 research octane number, or RON, as the new U.S. standard for regular gasoline for year 2023 and beyond will be a win for consumers, the auto industry, fuel producers, agriculture, retailers, and society.

USCAR and its member companies are encouraged by the proposed 21st Century Transportation Fuels Act, the Discussion Draft that provides an excellent starting point for national octane standard legislation, higher octane-rated gasoline facilities and the development of more efficient spark ignition engines.

It is estimated that an increase in RON to 95 enables an average 3 percent improvement in fuel economy of newer vehicles. Increasing octane is beneficial for virtually all spark ignition engines regardless of the manufacturer, engine size, or...
architecture and does include both hybrid, electric, and plug-in hybrid electric vehicles.

While establishing a new 95 RON grade is the critical piece of this proposed approach, it doesn't preclude the availability of a higher RON octane grades for use in high-performance vehicles.

In Europe, 95 RON is regular while performance grade is 98 RON or higher. While we view the Discussion Draft as a significant step in the right direction, we have some concerns and questions regarding several provisions.

These include the provisions relating to a waiver for fuels containing up to 20 percent ethanol, vehicle design requirements and NIST fueling provisions.

USCAR and its member companies look forward to working with the committee to address our concerns in other areas of the legislation.

Ultimately, we believe the Discussion Draft led by this committee is the only viable near-term pathway for implementation of a 95 RON minimum and the benefits it can deliver.

USCAR members are ready to move forward and implement this initiative. Thank you again for the opportunity to be here with you today and to provide testimony in support of this Discussion
Draft proposing a high octane fuel that will enable higher efficiency vehicles.

Thank you very much.

[The prepared statement of Mr. Zimmer follows:]

**********INSERT 1**********
Mr. Shimkus. Thank you.

The chair now recognizes Mr. Timothy Columbus, general counsel, Steptoe & Johnson, on behalf of the National Association of Convenience Stores and Society of Gasoline Marketers.

You are recognized for five minutes, sir.
STATEMENT OF MR. COLUMBUS

Mr. Columbus. Here we are again, Mr. Chairman.

Mr. Chairman, Ranking Member Tonko, members of the committee, my name is Tim Columbus. I am with the law firm of Steptoe & Johnson. I appear today on behalf of our clients, the National Association of Convenience Stores and the Society of Independent Gasoline Marketers of America.

These associations represent something over 80 percent of the retail fuel sales in the United States.

It's important that you understand that neither association today has a position on the Discussion Draft we are talking about. We do not support it. We do not oppose it.

We commend the committee and the staff who have put a lot of time into this and we think it's an excellent start. There's still questions you have to answer and we have to answer before we know where we'll end up on this.

In my written statement I touch on a number of issues and suggestions. I am going to touch on only five of those today.

Specifically, we would suggest the draft language be modified to, one, make clear that any technological solution adopted to prevent misfueling must be cost effective with the
auto makers but also for retailers.

It is important to the retailing community that we don't end up carrying the costs of implementation on this ourselves. These are mostly small businesses and they're very cost sensitive. They will be happy to do their part, but this is going to have to be everybody doing their part.

Number two, make clear that a retailer who complies with the misfueling prevention requirements is protected from liability resulting from any consumer activity, i.e., behaviour over which it has no control.

Number three, make clear that existing dispensing equipment need not be hardened to ethanol blends above E10 unless those higher blends are in fact dispensed through that pump or dispensing equipment.

Require EPA and FTC to harmonize their labelling regimes and those required labels must be clear regarding the octane and content levels being dispensed from any particular pump.

That is not -- they don't have to say exactly what it is but there should be some this would be up to E15, this could be up to E20.

The fact is that the legacy fleet is not ready. I am an old man. The chairman knows this. I drive a very old car. It's
very happy on E10. It is not prepared to drink E15 and it will spit up E20.

So I have to know when I take that car to fuel what I am buying and that's really what we are looking for here.

Finally, make clear that any price posting requirements that you set forth be compatible with relevant state and local laws and, crucially, not impair a retailer's ability to communicate cost-saving offers to consumers.

Let me give you an example here. Most state laws require that the highest price for anyone to come in and buy a particular commodity be posted and we are fine with that.

However, many retailers offer multiple prices at a pump. For example, if you come in and buy a carwash you may get $0.08 a gallon off. Or if you are a member of an affinity program you may have a bargain.

The key here is to make sure that we can comply with state law but also not interfere with retailers' ability to offer consumers via the price signs a means of saving money.

With that, I am going to wind up. I am not going to use all my time.

Again, we don't have a position on this today. We look forward to working with all of you, going forward, on this project.
and commend you for what you have done so far.

I will be happy to respond to any questions my testimony may have raised. Thank you.

[The prepared statement of Mr. Columbus follows:]

**********INSERT 2**********
Mr. Shimkus. The chair thanks the gentleman.

The chair now recognizes Mr. Wesley Spurlock, past president and chairman of the National Corn Growers Association.

Sir, you're recognized for five minutes, and welcome.
Mr. Spurlock. Thank you, Chairman Shimkus, Ranking Member Tonko, and subcommittee members. I appreciate the opportunity to be here for the National Corn Growers Association.

I am Wesley Spurlock and our family raises corn, cotton, and cattle in the Texas Panhandle. As producers of the primary feedstock used in ethanol, corn farmers have a strong vested interest in the future of transportation fuels.

The Renewable Fuel Standard has created significant opportunity for the farmers. The RFS is one of the most ambitious and successful energy, environmental, and economic policies Congress has enacted not only for farmers and rural communities but also for our drivers, our air quality, and our nation's energy security.

As use of homegrown renewable fuels has grown and has farmers have become more productive using fewer resources, the benefit of the RFS has exceeded the congressional projected.

Agriculture met the challenge to help fuel America, not by putting more land into production but by becoming more productive with existing resources.

Farmers today produce more corn with less land because the
average has increased on corn by more than 25 bushels since 2007.

Ethanol production creates value-added co-products such as distiller's grain for feed, corn oil for biodiesel, and some corn provides -- the same corn provides food and fuel. The value added by ethanol and increased farmer productivity has had a positive impact on rural America, helping the next generation return to their family farms.

But it's not only the farmers who benefit from the renewable fuels. Renewable fuels save drivers money. Environmental advocates backed enactment of the RFS. The RFS is the only federal law that requires greenhouse gas emission reductions.

Based on actual corn and ethanol production, the sustainability improvements in both today's corn ethanol results in 43 percent lower greenhouse gas emissions than gasoline. Clean burning ethanol is the fuel that displaces the more harmful compounds in gasoline, reducing tailpipe emissions and improving air quality.

Chairman Shimkus' and Congressman Flores' Discussion Draft includes provisions corn growers do support. In addition to the RVP parity that allows higher ethanol blends and lower evaporative to be sold year round, we also support more regulatory certainty when it comes to approval of the higher blends such as E20.
We support a high octane vehicle test fuel so automakers can expedite new optimized vehicles. However, NCGA believes this Discussion Draft would undo successful renewable fuel policy. The net impact of this proposal would not maintain the market access renewable fuels currently have with the RFS and offer opportunity to expand ethanol as an octane source.

Corn growers support high octane fuels such as mid-level ethanol blends. We know high-octane fuels would give automakers the ability to design optimized engines with greater fuel efficiencies and with fewer greenhouse gas emissions.

Ethanol is the lowest cost, lowest carbon octane source. Today's corn production practices are increasing soil carbon sequestration and ethanol's carbon footprint is shrinking.

NCGA recently submitted comments on the administration's safe vehicle rule outlining the fuel economy of emissions benefits from a high-octane low-carbon mid-level blend.

We recommend regulatory steps that would remove barriers to fuel competition and high-octane fuel. An octane standard such as 95 RON that refiners can easily meet with current premium fuels cannot replace the market access for renewable fuels provided by the RFS.

We cannot continue to reduce emissions with an octane
standard that could be met by using octane from hydrocarbons.

Chairman Shimkus, corn growers are grateful for your advocacy for farmers and the renewable fuels. We appreciate the time you have spent considering future transportation fuel needs.

We also appreciate being asked to contribute to today's discussion. Should the committee undertakes future legislative discussion we ask that incoming Chairman Pallone and Tonko consider NCGA a source on renewable fuels policy and allow us to continue to work with the committee.

Thank you.

[The prepared statement of Mr. Spurlock follows:]

**********INSERT 3**********
Mr. Shimkus. Thank you.

The chair now recognizes Ms. Emily Skor, chief executive officer of Growth Energy. You're recognized for five minutes, and welcome.
Ms. Skor. Thank you.

Chairman Shimkus, Ranking Member Tonko, members of the subcommittee, thank you for the opportunity to provide our perspective on the Discussion Draft being discussed today.

My name is Emily Skor and I am the CEO Of Growth Energy, the leading ethanol industry association representing 100 producer plants, more than half of the industry's total production.

A transportation fuel mixed with more ethanol lowers costs for consumers, revitalizes our country's rural economy, and improves our environment. Our members thank you for attending to our 21st century transportation needs and recognizing the important of high-octane and continuing to advance these national interests.

We have thoroughly reviewed the Discussion Draft and applaud the authors for, first, recognizing that octane plays a critical role in helping automakers meet fuel economy and greenhouse gas standards; second, allowing the year-round sale of higher ethanol blends like E15; and, third, granting federal approval for fuel beyond E15, demonstrably supporting the research that affirms
ethanol blends above 10 percent do not harm passenger vehicles.

However, where we believe this draft falls short is in the assumption that the Renewable Fuel Standard, the RFS, is broken and needs to be fixed. We wholeheartedly disagree with that perspective.

In fact, despite years of mismanagement, the RFS has fulfilled its congressional intent to increase domestic energy supplies, improve farm incomes and reduce carbon emissions with the added benefit of lowering the price at the pump.

By any objective measurements, the RFS has been an overwhelming success. Repealing the RFS is unnecessary and will further destabilize a struggling farm economy and ethanol sector.

Moreover, the draft does nothing to stop EPA's continued misuse of the small refinery exemption authority or even acknowledge the agency's unprecedented and possibly illegal use of this authority.

EPA has already waived up to 2.25 billion gallons of biofuel blending, undermining demand by failing to reallocate those gallons in line with congressional intent and we face additional exemptions for 2018 and in the recently released 2019 RFS rule.

We applaud the examination of an octane standard. But the draft's proposed 95 RON is easily met with today's premium
gasoline, which costs consumers about 50 cents more per gallon than regular fuel.

A recent report from the Energy Information Administration cites that refiners would only need to make minor operational adjustments to supply the increased octane requirement of a 95 RON baseline fuel.

And in previous congressional testimony refiners stated that they planned to meet the 95 RON fuel standard with a current 10 percent ethanol blend.

Today, ethanol is $0.25 less per gallon than gasoline and was as much as $0.90 earlier this year. As I previously testified, the past decade has shown oil companies will actively ignore economic incentives to prevent market entry of higher ethanol blends.

Only by coupling a stable RFS to maintain market access with a significant boost in octane from a mid-level ethanol blend can consumers realize significant cost savings, increased engine efficiency, and substantial environmental benefits.

Unfortunately, this draft as proposed will lead to reduced blending of cleaner biofuel and it will raise fuel costs for American drivers.

We commend the authors for following sound science in
approving E20. But the draft provides minimal guidance on approving ethanol blends beyond E20.

E15 was approved nearly a decade ago and we are still working through hurdles erected to keep this legal fuel out of the market.

This draft should recognize and seek to eliminate the myriad challenges to approving ethanol blended fuels to enable a reasonable pathway for their entry into the marketplace.

While one of the draft's primary goals is to make the U.S. fuel supply uniform, it does not unify the availability of ethanol-blended fuels above 10 percent. Simply preventing future actions does nothing to break down state-level hurdles that exist today.

This draft may even block the state from moving forward with higher blends. We must avoid backsliding on the progress of the RFS which has helped launch a more affordable low-carbon alternative to traditional petroleum fuels.

While we do support certain aspects of this Discussion Draft, we believe it misses an opportunity to lay out a bold vision for the future of affordable liquid fuels and to make a significant impact restoring growth in America's rural communities and de carbonizing our nation's fuel supply.

Thank you, and I look forward to your questions.
[The prepared statement of Ms. Skor follows:]

**********INSERT 4**********
Mr. Shimkus. The chair thanks the gentlelady.

The chair now recognizes Mr. Geoff Cooper, president and CEO of the Renewable Fuels Association.

You're recognized for five minutes.
STATEMENT OF MR. COOPER

Mr. Cooper. Thank you.

Good morning, Chairman Shimkus, Ranking Member Tonko, and members of the subcommittee.

My name is Geoff Cooper and I am the new president and CEO of Renewable Fuels Association, the national trade group representing the U.S. ethanol industry.

I want to thank the chairman and the members of the subcommittee for your thoughtful consideration of our nation's future energy policy needs and objectives.

RFA has been an active participant throughout this process and we have appreciated the opportunity to share our perspectives on the vital role that biofuels can play in our energy future.

The draft legislation we are here to discuss today represents an important first step forward in the debate about future fuels policy and specifically the role of high-octane fuels.

Because ethanol is by far the most economical and cleanest source of octane available on the market today, it would seem on the surface that any effort to establish a high-octane fuel standard would benefit ethanol producers and the farmers who supply them.
But it's not quite that simple. As currently drafted, RFA cannot support the proposal because it falls short of providing the future market certainty and the clear path to growth that our industry needs.

By eliminating the Renewable Fuel Standard requirements for conventional biofuels in 2022 and adopting a no-growth methodology for advanced biofuel requirements through 2032, the draft bill would destabilize the considerable progress our nation has made for greater energy security, economic vitality, and environmental health.

We simply cannot support eliminating the RFS program as the draft envisions without a much stronger signal to the market that ethanol's role in our fuel supply will continue to grow.

Even though ethanol is far superior to other octane boosters in terms of cost and environmental performance, a 95 RON standard, when paired with elimination of the RFS, would not result in increased market opportunities for ethanol.

To the contrary, we believe the 95 RON standard in the absence of the RFS or other environmental performance requirements could reduce demand for ethanol.

Refiners and blenders would simply meet demand for more octane by increasing reformer severity and producing greater
volumes of higher octane hydrocarbons like aromatics, which are often toxic in nature, worsen air quality, and are typically two times the cost of ethanol.

Thus, consumers would just end up paying more for dirtier gasoline.

In fact, a new EIA Commission Study concludes that oil refiners would have, quote, "no problem," quote, meeting a requirement to produce 95 RON gasoline beginning in 2022 and assumes that refiners would meet that standard with E10 gasoline.

The study found that, quote, "no significant changes in refinery configuration or throughput would be required to meet the minimum 95 RON gasoline requirement," end quote.

And contrary to testimony previously offered to this subcommittee, the EIA study finds, quote, "no industry wide capital intensive projects would be needed to meet the requirements," end quote.

There are elements of the Discussion Draft that we do find very encouraging. We appreciate the provision requiring automakers to warrant vehicles built in 2023 and later for E20 and we welcome the requirement that EPA approve an E20 fuel waiver.

However, we believe ethanol blends above E20 like E25 and E30 will be necessary to deliver the octane levels that best
facilitate greater fuel economy and emissions reductions.

We also very much appreciate that the Discussion Draft again demonstrates this subcommittee's support for addressing the antiquated RVP barrier that is currently keeping E15 out of the marketplace on a broader scale.

In closing, RFA strongly believes a high-octane fuel standard can work in concert with, not in conflict with, the RFS. The measures would be complementary and the RFS would assure that clean renewable octane sources like ethanol are able to access a high-octane fuel market that might otherwise be closed to competition.

With proper oversight and implementation, the RFS can continue to work in tandem with a high-octane fuel standard to continue to drive innovation, support rural economies, and provide cleaner fuel choices at the pump well beyond 2022.

We thank you again for starting this very important conversation and look forward to its continuation.

Thank you, and I look forward to your questions.

[The prepared statement of Mr. Cooper follows:]

**********INSERT 5**********
Mr. Shimkus. The chair thanks the gentleman.

And last but not least on the first panel we have Mr. Chet Thompson, president of American Fuel and Petrochemical Manufacturers.

Sir, you're recognized for five minutes, and welcome.
STATEMENT OF MR. THOMPSON

Mr. Thompson. Thank you, Mr. Chairman, Ranking Member Tonko, other members of the subcommittee. I really appreciate the opportunity to be here this morning and share the views of the U.S. refining industry on this Discussion Draft.

Let me start by thanking you, Mr. Chairman, Mr. Flores, and your committee staff for the incredible work you have done over the last year on this really critical topic.

No doubt the easy thing for you to have done was to run quickly away from this issue a year ago. You didn't. You chose to stick it out and we appreciate it.

We also appreciate the release of this Discussion Draft.

Mr. Chairman, when you told us a few months ago this was coming you promised us it would be far from perfect. You also promised us that all of us stakeholders would find something in it that we loved and something in it that we hate.

Rest assured, your premonition was spot on. Well, unfortunately, we are not in a position to support the draft in its current form. But we do think it moves the ball.

We think and hope it will generate momentum for further discussion and eventually statutory reform -- reform that most
of the stakeholders believe is so critical.

As I have testified before this subcommittee on multiple occasions, most recently last April, the RFS in its current form is unsustainable. It's bad for consumers and it's only destined to get worse if reform does not happen before EPA takes over this program in 2022.

I also testified that a proper transition from the RFS to a fuel-neutral 95 RON octane standard would be better for all stakeholders and could better harmonize our country's fuel and transportation policies.

A 95 RON standard would help our auto companies improve the efficiency and reduce the emissions of the existing fleet and future fleets and comply with CAFE.

It would provide retailers with optionality, to quote Mr. Columbus. It would provide farmers and ethanol producers with the potential for greater market share, contrary to what you have heard already this morning, and it would certainly provide relief for my members from the broken RFS.

But most importantly, it would provide relief to consumers -- relief in the form of lower prices.

Against this backdrop, there are aspects of this Discussion Draft that we support and those that we don't. So let me start
with the positive -- what we can support.

We certainly support the sunsetting of the RFS in exchange for 95 RON standard, you know, presuming or assuming it's done correctly.

After years of study with the autos, a 95 RON performance standard has been demonstrated to be the most cost effective option for consumers for improving the efficiency of the transportation fleet, at least in the near term.

Indeed, there's no other fuel option that is realistic I in the time frame we are talking about this morning. We support requiring all light-duty vehicles starting in 2023 to be designed specifically to run on this fuel, on at least a 95 octane rating and potentially higher.

Finally, we support the comprehensive misfueling requirements and liability protections afforded in the -- in the draft. However, we do believe those protections need to be expanded to include the U.S. refining industry.

Unfortunately, and, again, as highlighted much more extensively in my testimony, there are a few provisions, Mr. Chairman, as you might imagine, we can't support. So let me just highlight a few.

First, we absolutely can't support a new $15 billion gallon
per year mandate for a conventional ethanol. Such a mandate is unfeasible.

Let me put this in a perspective. To hit this mark by 2020, which the draft would require, ethanol blending in our country would have to increase by 700 million gallons. Seven hundred million.

Because of the blend wall, which is real, this would require E15 sales to increase by 3,000 percent -- 3,000 percent in a mere 12, 13 months. This is simply not possible.

Nor can we support extending the RFS program until 2032. The program must end when a new 95 RON standard takes effect in 2023.

Nor can we support the draft's various E20 mandates. Autos should decide how to harden their vehicles to run on a new 95 RON fuel, not the government, and environmental and technical analysis that supports subsim (phonetic) determinations that can't be short circuited through legislation.

E20 should not be authorized to be released and used in the market until we have a full understanding of what the impact of E20 would be on existing automobiles.

Finally, we do not support establishing 98 RON as a certification fuel. There is simply no nexus between a 98 RON
cert fuel and a 95 RON that the draft would develop and create.

There's already a pathway for EPA and for the autos to pursue to get a new cert fuel and there's absolutely no reason that this legislation needs to address this issue.

So, again, in closing, let me say we appreciate your leadership over the past years, Mr. Chairman. Again, Mr. Flores and staff, we appreciate everything you have done.

There are real opportunities here. The folks at this table have been at this for many years and we believe we are really starting to advance and there's lots of opportunities around a 95 RON standard. We hope this remains a priority for this subcommittee next year.

So I look forward to answering any of your questions.

Thank you.

[The prepared statement of Mr. Thompson follows:]

**********INSERT 6**********
Mr. Shimkus. The chair thanks the gentleman.

We appreciate you all being here today and now I will recognize myself for five minutes to open up the round of questions for this panel.

2022 is a real date. We’ve asked the EPA about what could happen and EPA has told us that they have, quote, unquote, "broad authority" they will have in 2023 and beyond, which could result in biofuel volumes lower than those provided in the statutory tables.

Given that EIA projects a 31 percent decrease in motor fuel consumption between 2017 and 2025, do you expect RVOs to be higher or lower post-2022 than they are today?

Mr. Zimmer, do you have any input? No.

Mr. Columbus?

Mr. Columbus. I will take pass on that.

Mr. Shimkus. Mr. Spurlock.

Mr. Spurlock. As the --

Mr. Shimkus. You heard how I laid out the question. 2022 liquid transportation fuels are projected to decline. EPA has broad authority to reset the tables.

Will they be higher or will they be lower post-2023?

Mr. Spurlock. I think we will show that we have done such
a great job with the ethanol and where it's at as a additive in
the fuel system that we'll be -- we will come through fine on
the reset.

Mr. Shimkus. You say higher?

Mr. Spurlock. Yes, sir.

Mr. Shimkus. Ms. Skor.

Ms. Skor. We would anticipate that the RVOs -- if the
blending is -- the actual blending is consistent with the numbers,
you'd be at 15 billion gallons of conventional corn-based ethanol.

Mr. Shimkus. Mr. Cooper.

Mr. Cooper. Well, we certainly see no rationale for
reducing the volumes post-2022 and EPA is --

Mr. Shimkus. Do you accept the premise that the EIA
information -- that there will be less liquid transportation fuel
on our market?

Mr. Cooper. I do.

Mr. Shimkus. Okay.

Mr. Cooper. Yes, I agree that we are going to see a decline
in gasoline consumption long term.

Mr. Shimkus. Do you think EPA will then raise the blending
limit?

Mr. Cooper. Again, I think there's no rationale for going
below the 15 billion for conventional biofuels.

Mr. Shimkus. Okay. Mr. Thompson.

Mr. Thompson. There's absolutely a rationale for doing it and if EPA follows the data they must do it. If transportation fuel demand goes down, E15 blending by definition goes down and the E15 market is still so nascent as not to pick up the slack.

It has to go down.

Mr. Shimkus. Thank you.

Let me go to Mr. Spurlock. First of all, I want to thank the Corn Growers for being very involved in this work and I want to recognize that.

In your testimony, you state that without the mandates in the RFS refiners would immediately default to petroleum-based octane enhancers to rise from their own feedstocks.

Given that ethanol is such an overwhelmingly cheap octane enhancer in addition to your noted environmental benefits, wouldn't some refineries be more competitive if they were to opt for this lower cost source of octane?

Mr. Spurlock. Yes, I feel that they would.

Mr. Shimkus. Okay. Let me go to Mr. Columbus.

Would your retailers like lower prices for the exact same fuel or higher prices for the exact same fuel?
Mr. Columbus. Now, that I will not pass on. Retailers want lower prices. We interface with the consumer every day and the simple reality is that the competition drives the price to the lowest plausible level and that includes the use of feedstocks by mid-level blenders as well as refineries to generate the lowest cost of product for the consumer.

Mr. Shimkus. Let me go back to Mr. Thompson. I would like for you to comment on Mr. Cooper's quote of the EIA study on renewable fuel. Can you comment on that?

Mr. Thompson. Is that for me, Mr. Chairman?

Mr. Shimkus. Yes, sir.

Mr. Thompson. Yes, I can. I mean, it's a -- unfortunately, it's a mischaracterization of the analysis. Look, and it's consistent with what we've been saying.

The EIA is a nothing burger. They said if we look in 2023 would there have to be substantial new investment assuming E10 in order to make a 95 RON fuel. No, of course it wouldn't.

At that point the new fleet of autos that require 95 would just be taking off. It also assumes E10, which contrary to what we said, assumes that the status quo remains -- that the ethanol is using at baseline.

Then the EIA analysis only went out to 2023, I believe.
So it's five years of implementation. So all it says is that the U.S. refining industry, based on E10, has enough octane capacity if it wants to meet the needs.

It doesn't speak to what happens when the program is fully implemented and at that point we think there are 19 billion gallons of octane up for grabs and we think that that octane could be met through lots of sources including ethanol.

Ethanol has a $0.04 advantage over other sources of octane. This is -- it's inaccurate to suggest this is not potentially good market share for the ethanol industry.

Mr. Shimkus. Thank you. My time has expired.

The chair now recognizes the ranking member of the subcommittee, Mr. Tonko, for five minutes.

Mr. Tonko. Thank you, Mr. Chair.

I would like to get witnesses' views on the preemption language that's included in the Discussion Draft. While California's low California fuel standard is not strictly in ethanol law, ethanol is certainly one potential pathway to compliance with the law.

Based on your reading, do you have any thoughts as to whether Section 204 would prohibit another state from adopting a low-carbon fuel standard similar to that of California's program?
Mr. Zimmer, can we start with you?

Mr. Zimmer. Excuse me. I don't have a comment on this specific question.

Mr. Tonko. Mr. Columbus.

Mr. Columbus. The fewer people defining different fuels in the United States, the more efficient the overall system is going to be. So, historically, our clients have supported preemption of state fuel standards and state mandates.

Mr. Tonko. And Mr. Spurlock.

Mr. Spurlock. I will take a pass on that. I am not sure what our standing would basically be on the question and I do understand what you're asking.

Mr. Tonko. Okay.

Ms. Skor.

Ms. Skor. We believe that the preemption language doesn't go far enough. It's looking at future actions but it isn't looking at eliminating many of the legitimate roadblocks that exist in several states today.

So what we would be looking for is to make sure that what happens at the federal level is also followed through in all 50 states.

Mr. Tonko. Mr. Cooper.
Mr. Cooper. We did not take a position on the preemption provisions in the draft. However, our read of it, I guess, would be that yes, future policies like a low-carbon fuel standard potentially would be preempted.

But, again, we did not take a position.

Mr. Tonko. And Mr. Thompson.

Mr. Thompson. I would certainly interpret 204 to potentially prohibit other states from adopting a low-carbon fuel standard if they actually specify how much ethanol can and cannot be in a gallon of gasoline.

So I would interpret it that way and we would support that. You know, there's a lot of resources by all the stakeholders that would go into establishing a new 95 RON standard and a patchwork system does not work.

Mr. Tonko. Do you believe this language might impact California's ability to expand or make changes to its existing program?

Let me start with you, Mr. Thompson, and work back.

Mr. Thompson. I don't think it would. It's my understanding that the draft says expressly that this doesn't impact existing prohibitions and to the extent California has prohibitions already on the books, by definition this provision
wouldn't touch it.

Mr. Tonko. And Mr. Cooper.

Mr. Cooper. I would agree with that response with the one caveat being if California did at some point in the future decide to increase the level of ethanol that's permitted in the state this provision could potentially keep them from doing that.

Mr. Tonko. Ms. Skor.

Ms. Skor. I would agree that if California wants to go further in terms of blending more renewable biofuel it might be prohibited, based on the language that we see in the Discussion Draft.

Mr. Tonko. And Mr. Spurlock.

Mr. Spurlock. Yes, I would agree with Emily and Geoff.

Mr. Tonko. And Mr. Columbus.

Mr. Columbus. I think they're all right about this. So the reality is yes, it can get in the way of California doing something.

Mr. Tonko. And finally, Mr. Zimmer.

Mr. Zimmer. [No audible response.]

Mr. Tonko. It's my understanding that while ethanol may be the cheapest source of octane, at the moment there's no guarantee in this Discussion Draft that it will be used in a future
Would anyone like to comment on why or why not the source of high-octane fuel should be left open?

Mr. Cooper. Well, thanks, and I would like to use my time responding to that question to really respond to what Mr. Thompson said about the EIA report.

I mean, I do think it's a very good study that underscores exactly that point, that refiners would not likely choose ethanol as the source of octane for a 95 RON fuel.

You know, there's a number of refinery modelling studies out there that show refiners could get to 95 RON with just an extra $0.02 or $0.03 per gallon in incremental costs. They could happily pass that along to the consumer and, you know, the other thing the EIA study pointed out, and it did look longer term than just 2023. They did look further into the future and analyse whether the refining sector could meet an incrementally larger demand of high-octane in the future and came to the same conclusion.

The study also found that there is a significant amount of underutilized reforming and alkylation capacity today in the refining sector that could easily be switched on to provide that
extra octane.

Mr. Tonko. Ms. Skor.

Ms. Skor. You're absolutely right. By taking away the guardrails provided by the RFS that enable market access you're essentially closing the market from competition.

The transportation fuel marketplace it is not a free market. If it were a free market, right now the better quality better priced octane enhancer would be in much higher demand than it is today.

So a high octane standard coupled with guardrails to ensure that we are using renewable octane would be the path forward.

Mr. Tonko. Thank you.

And Mr. Columbus.

Mr. Columbus. With respect, I disagree with Ms. Skor. I think the most important thing is refiners are not the only source of motor fuel in the United States.

People who don't own refineries manufacture motor fuel via blending of components which are available from domestic refineries as well as foreign sources.

Mr. Tonko, you and I have had this conversation before. What drives the costs to manufacture is the big stupid price sign at retail. The lowest cost wins. If a refiner wanted to forget
about the lowest cost octane source in the country, I don't believe
his competitors would permit that in a commercial sense.

Mr. Shimkus. The gentleman's time has expired.

The chair now recognizes the chairman emeritus, Joe Barton, for five minutes.

Mr. Barton. Well, thank you, Mr. Chairman.

The former senator from the great state of Texas, Phil Gramm, which many of you know, had a saying: "Truth is a powerful drug. Use it sparingly."

And as a retiring member this may be my last hearing after 32 years on this committee. So I am going to tell us what I think are some bargain truths. Now, they may not be truth but I think they're truth.

First of all, I think that Mr. Flores and Mr. Shimkus have done a very good job in trying to patch together a compromise bill that's good politics and I think it would also work.

I don't think it would work perfectly but I think it'd work and I think the politics of it, potentially, work.

Now, having said that, let me give you the Barton bill and just raise the hackles on everybody's hair in this room. I would repeal every existing regulation and law on oxygen and CAFE
standards. Repeal them all except for a few and maintain the oxygen requirement in the Clean Air Act. I think that makes sense.

I would require that any money put into the leaking underground trust fund, which the acronym is LUST, actually be used to clean up leaking underground storage tanks.

And I might -- and I would listen to my corn growers on this one -- I might keep the quotas on imported ethanol. I might not. But I would repeal everything else.

If we did that and went to a pure market for ethanol, it would work. It would work. Back in 2005 when I was chairman, we passed the Energy Policy Act of 2005 and at the request of then Speaker Denny Hastert we put in mandates to use ethanol, or renewable fuels.

We also created a lot of research programs for renewable fuels and alternative energy, and if you look at the energy markets in the United States today, solar is doing very well.

Wind is doing very well, and I -- although the ethanol market has been up and down, I think you could argue that at least it's a mature market. It's not a struggling start-up market.

But then in 2007 we came back and increased these mandates and we also increased the fuel -- the CAFE standards. And the
current law, folks, is unworkable. It's not going to work, and come 2020 don't kid yourself. If we throw all this to whoever's running EPA, they don't have any magic wands over there. They're not going to be able to bring order out of chaos.

So, again, I want to go back to Mr. Shimkus and Mr. Flores. They have tried to look at the politics of it, I think, and they've tried to come up with something that works.

Now, having said that, it's not going to -- we are certainly not going to mark this bill up tomorrow and put it on the floor next week and go to the Senate and the Senate miraculously pass it.

But you might -- you have got a fighting chance to do something in the next Congress. So this is a good -- this is a good place to start.

So my question, you know, since this is the question period, Mr. Chairman, I got to ask at least one question. I can't just vent here.

Mr. Shimkus. You haven't done that before, though, so --

[Laughter.]

Mr. Barton. I have. So I am going to ask Mr. Thompson. You won the lottery here. If we did what I said -- pass the Barton Bill and don't -- the politics of that are terrible so
I know that's not a starter but it is true -- would ethanol be used? Would there be a market that ethanol would compete for and be successful competing -- corn-grown ethanol from the United States?

Mr. Thompson. Thank you for the question, and we would support the Barton Bill. But absolutely ethanol would continue to compete. The RFS could go away tomorrow and the E10 would be the dominant fuel in this country.

It is the cheapest source of octane and, as you know, when you go to the pump we are trying to put octane into the fuel from regular grade up to premium grade. It is the cheapest source of octane.

It has a $0.04 advantage over anything else. You know, E0 is $0.22 more expensive to make than E15 and it's, like, $0.15 more expensive than E10.

My guys are a lot of things, but wasteful of money is not one of them. The refiners own 20 percent of the ethanol market. Ethanol is here to stay. The notion that it won't be is just -- it's inconsistent with reality.

Mr. Shimkus. The gentleman's time has --

Mr. Barton. The last thing I will say, Mr. Chairman, I ought to be commended because the Barton Bill did not bring back MTBE
and if I really wanted to be competitive I would make it legal
to --

Mr. Shimkus. The gentleman's time definitely has expired.

[Laughter.]

The chair recognizes the gentleman from California, Mr.
Peters, for five minutes.

Mr. Peters. Thank you. I want to thank Mr. Barton for his
service but I also want to say I endorse the Barton Bill with
a couple of amendments. I would also repeal all the tax credits
that we have for energy and I would send a market signal that's
technology neutral through a carbon tax.

And we could -- I know, so maybe the amendment -- you know,
I won't get your vote in the next Congress either, I know. But
I think that would be the appropriate way to push these incentives.

But for the time being, I wanted to talk to Ms. Skor. We
have another witness who I think is on the next panel, Brooke
Coleman, who is the executive director of the Advanced Biofuels
Business Council.

Her testimony includes the following and I would like you
to react to this because you talk about backsliding. She says,
quote, "The RFS is indirectly to date a renewable octane cetane
requirement. The 21st Century Transportation Fuels Act would phase out the renewability requirement and the greenhouse gas requirement contained in the RFS and, as discussed, all companies will use more petroleum additives instead of biofuels because it's in their economic self-interest." She goes on to explain how that's backsliding.

Is that the concern you expressed and can you maybe flesh out a reaction to that?

Ms. Skor. That's absolutely our concern.

If you look at the price of ethanol today, if we are talking about price competitiveness today wholesale it sells $0.25 lower per gallon than gasoline. But what you see is absent a mechanism to force competition and give the ethanol producer access to the end user, the consumer, we don't have a way to compete in this marketplace.

The RFS provides important guardrails and not only for market access but for environmental impact. As Mr. Spurlock said, 43 percent reduction in greenhouse gas emission -- that's with conventional biofuel. Advanced biofuel is up to 100 percent.

So we are cleaning the air because we've got fewer -- and it's good for not only environmental health but human health as well.
Mr. Peters. You recognize the bind the government is in with the bill the way it is. What would be your suggestions about how to move?

Ms. Skor. I mean, you know, our overall suggestion is that you couple -- we absolutely applaud seeking a high-octane, low-carbon national standard. But that's got to be coupled with the guardrails that we see in the Renewable Fuel Standard that provide for market access.

That would be the path forward for the most significant cost savings, the greatest fuel economy, and the greatest environmental benefit.

Mr. Peters. Okay. Well, again, I think we are sort of in this contortion to respond to these markets and I think that, again, a market -- a market incentive that's technology neutral is preferable to this. It could save us a lot of time and meetings next year.

But I do appreciate you taking it up. I think there's more work to do on this. I know it's not easy, and I look forward to working with you in the next Congress.

And I yield back.

Mr. Shimkus. The chair thanks the gentleman.

The chair now recognizes the gentleman from West Virginia,
Mr. McKinley, for five minutes.

Mr. McKinley. Thank you, Mr. Chairman.

Over the last number of years, we've talked a lot about and I've heard a lot of folks talk about the greenhouse gas emissions and how we need to address it through a variety of standards, regulations, or whatever.

But this is a summary from the MIT study that says if you want to reduce greenhouse gas emissions it's six to fourteen times more effective if you put a gasoline tax on than worried about efficiencies.

I've never heard any -- here anyone ever, if they're really serious on the other side, talking about reducing greenhouse gases why they have not proposed raising the gasoline tax.

Secondly, we've also talked around this table a lot about uncertainty. I am concerned about, for example, a small refinery trying to make the change, going to spending millions to convert to 95 or some other level of octane standards. But yet there's a movement coming from the other side of the aisle that within the next 10 years we are going to decarbonize our transportation fuels.

I don't know whether to take them seriously or not. But I see it in the media as beating the drum every day that over...
the next 10 years the green new deal should be sweeping through Congress.

It should be taken very seriously. So the uncertainty is that why would a small refinery or any refinery go out and spend billions of dollars -- billions of dollars to make a change in carbon fuels when in 10 years we are going to do away with them anyway?

So I just -- my question to you, to any of you, essentially is it realistic to be thinking about this green new deal and all the effort that's been made in crafting this legislation that goes out the window if we are going to pass something within the next 10 years that does away with fuel?

Starting with you -- starting with you, how realistic is this? Is this some crackpot idea?

Mr. Zimmer. Well, thank you.

And, first of all, we think that going to a 95 RON regular is extremely important and very doable for the stakeholders as well as -- and a value proposition to the consumer.

So we think it is the only -- the low-cost solution to improving the fuel efficiency of vehicles and it's broadly applied and it will impact a lot of --

Mr. McKinley. If we are trying to eliminate greenhouse
gases, why isn't someone promoting a gasoline tax because it's proven time and time again that that's going to be the quickest way to eliminate greenhouse gases? No one's doing that.

So we are talking about a -- I want to know more about what effect -- we are going to see a lot of debate over the next two years over this green new deal.

Is it realistic to do away with fossil fuels in transportation as they're calling for? I would like to hear from any one of you. I only have a minute left.

Mr. Columbus. In the short term, sir, no. It's not going to happen in the short term, and I certainly commend Mr. Tonko and his colleagues for starting that conversation.

There are a lot of things about EVs that have to be sorted out. There are a lot of things about EV recharging structures that have to be sorted out.

I can remember many years ago people talking about we are going to have --

Mr. McKinley. Could we have the other people answer as well, just -- so yours is -- it's not realistic.

Mr. Spurlock.

Mr. Spurlock. As we look at the news recently and we are talking about putting a high fuel tax on in order to improve
greenhouse gas and cut the fuel down, I think if we look at what's happening in France that's what they tried to do in France. That is not working very well publicly right now.

Ms. Skor. Liquid fuels will remain the dominant fuel source for many years to come and so what is realistic is to look for ways to provide automakers with greater fuel economy, consumers with cost savings, and cleaner air.

So there is an important conversation to be had and a path forward in that regard.

Mr. Cooper. It takes, roughly, 17, 18 years for the fleet to turn over, right. So every new vehicle being sold today, the overwhelming majority of which are internal combustion engine liquid fuel vehicles are going to be around on the roads driving on liquid fuel for, you know, the better part of the next 20 years.

It is going to take a long time to get to the electric vehicles and some of the ideas that are contemplated in a green new deal.

So, you know, we think there's an immediate opportunity to help decarbonize that liquid fuel that's going to be used in that intervening period.

Mr. Thompson. Yes. We firmly believe that fossil fuels and the internal combustion engine will be here for many decades to come.
Mr. McKinley. Thank you.

I guess what I am -- my point is --

Mr. Shimkus. Gentleman's time has --

Mr. McKinley. -- that I am worried about, Mr. Chairman, and as we close out on this is small refineries are going to be challenged under this. I just hope there's some language -- something can be worked into your bill that takes care of the small refineries that gives them some protection as compared to the larger -- the Marathons and the Mobils.

Mr. Shimkus. We'll talk about that. The gentleman's time has expired.

Mr. McKinley. Yield back.

Mr. Shimkus. The chair now recognizes the gentleman from Texas, Mr. Olson.

Mr. Olson. I thank the chair.

I would like to open my questions by saying congratulations to Chairman Shimkus, not only for this bill but this past Saturday his Army squeaked by my Navy in a football game in Philadelphia.

Mr. Shimkus. I was being kind and didn't dig anything into you. So it's your mouth to God's ears, right?

Mr. Olson. I said congratulations. Congratulations.

Also congratulations to my Texas colleague, Bill Flores.
You guys have done a lot of hard work to get this bill where it is right now -- this Discussion Draft. It's too late for this to become law in this Congress. But the table has been set for real action in the 116th Congress, and thank you all for that.

My first question is for you, Mr. Zimmer. In your testimony you mentioned that 95 RON is a, quote, "fundamental enabler," end quote, for lower emissions. As someone who represents an area that's made great emissions progress -- Houston, Texas area -- and is making every effort right now to reduce emissions but are still in noncompliance.

I know that vehicle emissions are critical to continuing this trend we see. My question is can you talk about what sort of environmental benefits we've seen from moving to 95 RON?

Mr. Zimmer. Thank you for the question.

We believe that 95 RON with engines that are designed to use it effectively, and it's that system that's very important, can achieve on average 3 percent fuel efficiency across the board and it's, you know, a broad spectrum of products. Doesn't matter who the manufacturer is or the architecture -- we'll see that benefit.

So we think it's -- we think RON 95 is doable right now --
it's the only thing that's really doable -- and deliver that type of result.

It also -- you will find a lot of internal combustion engines are used in hybrids and plug-in hybrids. Those vehicles will also benefit from that efficiency improvement.

Mr. Olson. Good point.

Question for you, Mr. Columbus, and I want to first off thank you. You hosted me at a Stripes store at the Westpark Tollway in Texas 22 a couple weeks ago, or a couple years ago, actually.

I worked the cash register. I rolled out the worst tortillas ever in American history -- terrible, terrible, terrible -- and I also pumped E10 gasoline.

And so most Americans have no idea at the pump what we are talking about today. They just hear the word ethanol and see it on the gas tank but have no implications -- no idea what implies -- happens to their whole vehicle system with this in the product.

They know what ethanol is but all they want is for their car to work and their fuel to be affordable prices. So I am always concerned about issues with misfueling and our policies can make the lives of average Americans easier.

Can you talk -- in your opening statement you had some comments about issues with misfueling. How about more details
on what you see at your stores with misfueling challenges with
E15 today and how these new challenges, going forward, may impact
the price at the pump and also just the perception of people that
are paying for the gasoline?

Mr. Columbus. Okay. With respect to E15, as you're aware, in many areas of the country we can only sell it eight months a year because of the ozone season. So in that sense, the products had a very hard time catching on, going forward.

There are many retailers who do not have the facilities at their retail outlets to sell anything more than E10. The Environmental Protection Agency requires a retailer to be able to demonstrate on an affirmative basis that his dispensing and storage equipment is compatible with whatever's in the ground with the product.

So having said that, our experience is that, very simply, consumers want the lowest cost motor fuel they can put their hands on on which their cars will run.

In my comments, I said as long as people are aware this car is warranted up to E15 -- this car is warranted up to E20, whatever -- as long as those levels are posted at the retail outlet, the overwhelming preponderance of consumers take their own self-interest into account and fuel properly.
There are those for whom I have no help. I cannot help people who put gasoline in a diesel engine. I cannot help people who see a big sign that says, this car has to be used for something -- don't use this fuel for anything before 2001 model year and pump it into my 1987 car.

If I do that, it's my fault. It's not the retailer's. But I believe that low-cost provider still wins in the retail market.

I think it would --

Mr. Olson. Time to yield back?

Mr. Shimkus. The gentleman's time has expired.

Mr. Olson. Congratulations, Mr. Chairman.

Mr. Shimkus. Thank you very much.

Mr. Olson. Three years in a row.

Mr. Shimkus. A little streak.

The chair now recognizes the gentleman -- the other gentleman from Texas, Mr. Flores, for five minutes.

Mr. Flores. Thank you, Chairman. I appreciate -- again, I appreciate all of you participating in this hearing today.

So I have -- let me start with one question for each of you and that is you got two options. One is keep the status quo the way it is today. Make no changes. Let the regulatory agencies sort out how CAFE is going to work, how the emissions requirements
are going to work, and how the RFS is going to work.

So that's option A. Option B is let's come up with a statutory solution to fix this. So which do you prefer, Mr. Zimmer? Option A or option B?

Mr. Zimmer. B.

Mr. Flores. Mr. Columbus.

Mr. Columbus. There are things in this bill that my clients support. There are things in this bill that my clients do not support. So I can't really choose today. I got to see that final product.

Mr. Flores. I understand that. But do you -- in the absence of --

Mr. Columbus. There are things -- there are things in the fuel system that are broken, Mr. Flores. So if you say is improvement possible, the answer is yes.

Mr. Flores. Okay. Good. That's close enough.

Mr. Spurlock.

Mr. Spurlock. I would agree with Mr. Columbus. There are things that can be improved and need to be improved and look through all levels as we go with that direction.

Mr. Flores. Okay.

Ms. Skor.
Ms. Skor. I would say that improvements need to be made on the administration side -- the implementation of the Renewable Fuel Standard currently on the books.

Mr. Flores. Okay. Do you believe that the EPA has sufficient statutory authority to do the things that you'd like to do without litigation?

Ms. Skor. We do, and reed vapor pressure is a very good example of something that's within the EPA's ability to make it happen.

Mr. Flores. Mr. Cooper.

Mr. Cooper. I would agree that certainly there are things that could be improved with the current program but we agree that EPA does have the administrative authority to make those fixes.

In fact, they have the administrative authority to adopt an octane --

Mr. Flores. So are you and Ms. Skor saying that no statutory solution is the preferred outcome? Is that what I am hearing from you?

Mr. Cooper. If the -- if option B is the draft currently --

Mr. Flores. That's not what I asked. I mean, option B is
does a -- is a statutory solution going to be a better solution than relying on the uncertainty that currently exists with the law and the administrative structure of that?

Mr. Cooper. I think it depends on what that statutory solution is.

Mr. Flores. Okay. All right.

Mr. Thompson.

Mr. Thompson. Yes. We support legislative reform of the RFS.

Mr. Flores. Okay. Well, every roundtable we've had and almost in every hearing we've had virtually every one of you has always said the statutory solution is better.

And so that's the reason we need to stay engaged on this rather than trying to run to -- as you heard earlier, run to our respective foxholes and not get anything done.

Mr. Columbus, one of the things that has been claimed is that the consumer doesn't really control the cost of gasoline. I mean, can you -- can you address that?

For instance, if the cost of gasoline -- if the cost of liquid fuel is artificially raised doesn't the consumer have a say on what the price is going to be by lowering their demand for that product?
Mr. Columbus. I think the short answer to that is absolutely.

First of all, I don't know how you artificially raise the motor fuel price. If we knew how to do that, I am telling you we would have done it a long time ago.

I always laugh about the prices signs. But this is the most transparent commodities market on the face of the earth.

Mr. Flores. So at the end of the day, the committee --

Mr. Columbus. So it drives price down every day to the lowest level, to the level the low-cost provider is prepared to sell it.

Mr. Flores. So if we are talking about increasing octane, the consumer is going to revolt if the refining -- if the suppliers elect anything other than the lowest cost solution. Would you agree with that?

Mr. Columbus. Totally. I promise you they will vote with their feet.

Mr. Flores. Okay. So there's no incentive for Mr. Thompson or his constituents to suddenly come up with a nonoptimum solution that the consumers are going to revolt against.

Mr. Columbus. I believe that's true and, more importantly, as those consumers vote with their feet those companies'
shareholders will vote with their lawyers. So, I mean, they have an obligation to maximize profit and don't do that by selling a high-cost product in a low-price market.

Mr. Flores. Okay.

Ms. Skor, I am going to go over a few provisions of the draft legislation. Would you please answer two questions on each of these?

Number one, the ethanol industry has asked the EPA to take administrative action on and, number two, which of these provisions do you anticipate the EPA can accomplish through rulemaking without legal challenge?

The first one is can the EPA require all vehicles beginning in 2023 to use high-octane fuels. Have you -- have you asked the EPA to do that?

Ms. Skor. We have asked the EPA to certify and approve higher level ethanol blends with a specific date in mind, no, we have done that.

Mr. Flores. And can they accomplish that without legal challenge?

Ms. Skor. Yes. We believe EPA has the ability to set -- EPA has the ability to put in place a 95 RON national standard fuel.
Mr. Flores. I would assert that that's probably not going
to be the case.

That said, I have other questions for you. I will
supplementally provide those to you and ask you to supplementally
answer those.

Thank you. I yield back.

Ms. Skor. Thank you.

Mr. Shimkus. The gentleman yields back his time. The chair
now recognizes the gentleman from Michigan for five minutes.

Mr. Walberg. Thank you, Mr. Chairman, and thank you for
holding this subcommittee hearing today and for working
continuously to address the issues with the RFS.

I know it's something that you and Mr. Flores have worked
on for some time and you have held numerous round tables and
hearings on this issue and heard from all parties involved
numerous times and I, for one, would like to see this issue is
finally resolved but in ways that I and my constituents would
like them to be resolved.

It's no secret that I am an avid Harley rider and any vehicle
with an engine between two wheels. I am also the co-chair of
the Congressional Motorcycle Caucus and I have concerns there
as well.
I also have the pleasure of representing the Great Lakes State of Michigan, which is surrounded by most of the 20 percent of the world's fresh water resources and filled with boating enthusiasts all around that state and connected to other states as well.

So they have obvious reasons to be concerned about fuel in their engines and motors as well. Michigan is also the birthplace of the modern auto industry and continues to be very much concerned in that area with a lot of research and development.

It's also the place that is very much given to antique and classic vehicles, one being my own, which has great concerns about continuing and not just being put on a shelf somewhere and looked at but, rather, driven, used, continue to be used.

And so, Mr. Zimmer, with those statements I would like to ask you a question and then open it up to any others who would address it, though maybe out of your purview.

This question -- how will this current draft legislation impact small engine manufacturers like Harley Davidson and the boating industry -- Evinrude, Mercury, et cetera -- and the classic and antique vehicles as well?

Mr. Zimmer. I can't speak to those specific industries but I do think and I think our members believe that, you know, in
this collaborative approach they should be -- come to the table in here and have those inputs because, you know, I understand that there are different issues in those engines and those markets than we might have in the automobile industry.

But just to reiterate, we believe the 95 RON is extremely important to the automakers will enable -- improve fuel efficiency in a broad range of products.

Mr. Walberg. Anyone else want to --

Mr. Thompson. Let me add that -- just to be clear that under this draft legislation the 95 RON fuel would be developed, you know, to be used with a new automobile fleet.

It would add -- either replace premium or add another grade of fuel to the mix. It would not impact our ability to deliver regular grade gasoline. Hopefully, you know, E0 for boaters and motorcyclists.

So we will continue to supply that very important market.

Mr. Walberg. Certainly -- certainly at a higher cost but it needs to be there.

Mr. Zimmer, you mentioned that misfueling devices beyond nozzle size are available. What are those and should they be required?

Mr. Zimmer. It's a very, very important topic to the car
makers -- misfueling in this area, and historically we've addressed -- when we went to unleaded we addressed misfueling with nozzle sizes and that's in the current proposal. This is -- this can be -- I think it's quite complex because of the -- in the retail market and I think the retailers could talk about the multi-use pumps and stuff like that. But we think there is technology out there that might be, you know, very robust in this area and we would encourage, you know, an in-depth discussion there and that's basically communications between fueling pump and the vehicle and we think that's probably something that's doable. We think it's probably a good option and we would encourage people to look at them. We'd be very happy to work with --

Mr. Walberg. Require a lot of flexibility and then consideration of defeat devices also?

Mr. Zimmer. Excuse me?

Mr. Walberg. I would assume it would require a lot of flexibility and then syncing up an understanding with the defeat devices that could be a part of the problem.

Mr. Columbus. Yes, sir, and the Discussion Draft addresses that and we would endorse that. In fact, a group of us have been working on misfueling prevention for a while and that includes
the autos, retailers, to jobbers.

I think there's probably a way through this. The question is cost. The equipment manufacturers have indicated to us a cost of something under $300 per pump for a multi-product dispenser that dispenses all three products or four products, whatever, through a single hose. That's it.

But this is addressable, I believe, and one of the things we are holding off on is -- I know what Gilbarco has told us. I want to actually see it. I want to see an invoice.

Mr. Walberg. Thank you. I yield back.

Mr. Shimkus. Gentleman's time has expired.

The chair now recognizes the gentleman from Georgia, Mr. Carter, for five minutes.

Mr. Carter. Thank you, Mr. Chairman, and thank all of you for being here. This is certainly an important subject, something that we've talked about before. Some of you have been here before.

Mr. Cooper, I haven't heard much from you so I wanted to start with you today and ask you a question.

First of all, full disclosure. I represent the entire coast of Georgia, over a hundred miles of coastline. Therefore, marine engines are extremely important to us and the impact that some
of these fuels have on -- the negative impact that some of them can have on marine engines are certainly of interest and certainly of concern.

Biobutanol -- as I understand it, it has properties that more closely align with gasoline than ethanol does and it has much less -- I am sure much less of a negative impact on engines.

And, in fact, the National Marine Manufacturers Association and the American Boat and Yacht Council did a five-year study with the Department of Energy and found out that -- they studied the properties of isobutanol fuels on engines and that was very helpful for all of us.

Just wanted to ask you, if biobutanol were widely available in the market, how would it fit into the current supply? How would we be able to incorporate it?

Mr. Cooper. Well, thank you for the question, and I guess the first thing I would say is, you know, first of all, E10 -- 10 percent ethanol blends -- are approved and warrantied for all off-road engines today including outboard marine engines and motorcycles. So the fuel that is most common in the marketplace today is absolutely fine for use in outboard engines and marine applications.

In terms of biobutanol, you know, certainly, we do see some
promise there. We have some member companies who are either
producing or very interested in producing biobutanol along with
ethanol.

So yeah, I mean, I think there are other molecules, other
applications, other biofuels that at higher blend levels could
be suitable for today's --

Mr. Carter. Are there any obstacles for the companies that
want to market this? Are they having any barriers they're having
to overcome?

Mr. Cooper. Primarily cost, today.

Mr. Carter. Is that right?

Mr. Cooper. I mean, you can't -- biobutanol just can't
compete with ethanol and other components in terms of production
costs.

Mr. Carter. How much of a difference are we talking about?

Mr. Cooper. I would have to get back to you on that.

Mr. Carter. Is it significant enough to where it's --

Mr. Cooper. I think it's significant enough that we are
not seeing widespread adoption of biobutanol today.

Mr. Carter. Okay.

Mr. Thompson, I will go to you. As I understand it, 95 octane
is the correct octane level. In fact, you mentioned in your
testimony that the ideal level was 95 for maximizing output of vehicles.

How did you arrive at that? How did you arrive at the 95 octane being the maximum level?

Mr. Thompson. Thank you for the question.

You know, this is the conclusion we reached with working with several stakeholders but with -- really, with USCAR and others where we got technical expertise from the refineries and from the autos and, frankly, they worked for almost two years exploring a lot of things and looking at the whole system cost.

If you were looking to get a three to four improvement -- efficiency improvement out of the autos, what would be the cheapest way for consumers to get there, either all the improvements from the auto side or all the improvements coming from fuel, and this is documented in my testimony before this committee in April, but we did simply a cost analysis and what we found is that the cheapest way to get that 3 to 4 percent efficiency improvement came from 95 RON.

The other part of this was one of the big factors was making sure whatever we selected, according to the autos and rightfully so, the fuel had to be available on day one and had to be available nationwide.
Anything other than 95 RON is not available nationwide.

California and nine other states, you know, prohibit higher levels of octane.

Mr. Carter. So you couldn't go to 97 in California?

Mr. Thompson. Under their predictive model our conclusion was no.

Mr. Carter. Okay. Okay. Well, thank you for that.

One other question just to follow up. Does your organization have any specific numbers on how gas mileage would improve for customers across the U.S.?

Mr. Thompson. Well, again, a couple things. One, it would be a 3 to 4 percent improvement -- efficiency improvement -- and that translates into gas miles.

And the other thing it's for those who -- it's equivalent to putting 720,000 electric vehicles on the road year after year after year. So there's a substantial improvement -- efficiency improvement by doing this.

Mr. Carter. I suspect that would -- that would be hard to sell to a consumer who just concentrates on price?

Mr. Thompson. I would hope -- I would hope we would have a good story to tell. This is -- would be a high-efficiency fuel that helps make their cars more efficient, it keeps optionality.
It allows them to choose an internal combustion engine that's more efficient over, say, electrified vehicle they may not want. I mean, I think the consumer, when they fully understand the offering, will be supportive.

Mr. Carter. Great. My time has ended and I yield.

Mr. Shimkus. The gentleman yields back. Waiving on to the committee as he has in the past, Mr. Loebsack from Iowa, for five minutes.

Mr. Loebsack. Thank you, Mr. Chair. I really do appreciate you allowing me to waive on. You have been very generous, and especially knowing that we don't necessarily agree on these issues.

So I really appreciate that a lot. We don't agree on the outcome of the football game either, since I have a stepson and his wife who are Naval Academy grads. But for me -- for me, the only surprise was the margin -- that it wasn't greater.

But at any rate, to the panel I do appreciate your being here. In some ways, it's déjà vu all over again because many of you have been here before.

Mr. Cooper, welcome. I know Bob did a great job but you're going to do a fantastic job as well. Thank you for taking over that position.
Look, folks, we know that the RFS was created to diversify America's liquid fuel market, grow our world economy, and cut harmful emissions and it has succeeded in those efforts.

I don't think there's any question about that at all. The RFS has helped America achieve greater energy security. It's decreased our reliance on foreign oil.

My Marine kids perhaps don't have to go fight wars because of that in the future, hopefully, and that has, in turn, protected our national security.

Fuels have lower cost at the pump and in Iowa and other parts of the Midwest the RFS has clearly been an economic driver -- that's indisputable -- creating thousands of good-paying jobs at biofuels plants and establishing a significant market for our farmers. Very important now, especially given our trade issues that we see happening to our farmers.

We need to be looking toward growth in the future instead of taking steps backwards. This has been a very tumultuous year for biofuels producers and farmers.

We know that the EPA has granted waivers to 48 refiners that have cut more than 2 billion gallons of biofuels out of the market with no plan to reinstate those gallons, and that's unfortunate, to say the least.
This sort of action destabilizes the agricultural economy and that has implications for years to come and, again, we have to be thinking about the trade disputes, too, when we talked about these issues because that just complicates it for these farmers and others in the Midwest.

Instability has led to biofuels plants across the country being idled, in at least one case closed permanently. The USDA reported net farm income is down again over 12 percent this year and the ag economy is suffering, and we cannot afford, I believe, to take a step in the wrong direction.

And so respectfully, Mr. Chair, I do believe that this draft legislation is a step in the wrong direction for rural America and for the RFS.

It was already mentioned the EIA released a study last month that a nationwide 95 RON fuel can be achieved through petroleum products and would not guarantee the use of more biofuels.

I would like you to respond to that. You already did a little bit. Maybe expand a little bit on your answer to Mr. Thompson on that.

The fact of the matter is we have to be very thoughtful about this, going forward. We have to make sure that whatever we do does not harm the biofuels market I think here in this country.
I appreciate everyone's responses to the questions here. But I do want to start out with Ms. Skor by just basically answering the question would a 95 RON standard increase or decrease the use of biofuels.

Ms. Skor. Made with a 10 percent ethanol blend it would most assuredly increase the price of fuel for American drivers.

Mr. Loebsack. Right.

And Mr. Cooper, would you like to elaborate a little bit? I don't know if you have more to say about your response to Mr. Thompson about the --

Mr. Cooper. Well, you know, I think, again, some of the key points that came out of that study for us and it was commissioned by EIA but it was conducted by Baker & O'Brien, which is a well-known consulting firm that does lots of work for the oil industry. So these guys know what they're talking about.

And a few of the key points that really rose to the surface for us was that, you know, there wouldn't be hardly any incremental increase in the cost of producing 95 RON at the existing fleet of refineries to meet a 95 RON requirement in the first year of the program, 2023, but also longer term.

You know, it just said there wouldn't really be a need to increase ethanol blending at all to meet that requirement.
Mr. Loebsack. Did you want to respond to the Barton Bill?

Because it looked like you had some issues with that.

Mr. Cooper. Well, I mean, we supported the first Barton Bill, right -- the original RFS -- and I just -- you know, I don't remember exactly all the points that he was making.

But, you know, we certainly see the RFS as a tremendous success, both the original program, the RFS2. We see absolutely no reason to walk away from that progress. And again, we think a high-octane fuel standard can layer very well on top of the RFS and those two programs could work in harmony.

Mr. Loebsack. And I do want to make sure that, you know, we hold this administration's feet to the fire too on its promise to have the EPA go ahead and write rules, obviously, that allow the 15-year round.

I think it's really important. I hope it wasn't just a campaign stop, if you will, on the part of the president at Council Bluffs, you know, for a Republican congressional candidate and a Republican gubernatorial candidate.

We've got to make sure that we -- you know, that we do hold their feet to the fire on that.

So thanks, everybody, for being here. I really appreciate it, and I have lots more questions but I am sure I will have more...
opportunities in the future.

Thank you, Mr. Chair.

Mr. Shimkus. The gentleman returns the time and the chair wants to thank the panel. You did not disappoint. Obviously, there's much more work to do and I gladly will turn this over, hopefully, to Mr. Tonko in the next Congress to accept the challenge of moving forward.

I will just say certainty is better than uncertainty. Marrying engineering technologies of engines and fuels for the greatest efficiencies is the way to go.

So I hope that that would be at least a base by which people would move forward.

With that, I want to dismiss this panel and sit the second panel.

[Pause.]

Mr. Shimkus. Okay, folks. Let's move out of the room so we can get started.

We want to thank our witnesses for being here today and taking the time to testify before the subcommittee. As you observed, it's still a very energetic discussion, questions and answers, and we would expect no less from this panel either.

Today's witnesses will have the opportunity to give opening
This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee’s website as soon as it is available.

1890 statements followed by a round of questions from members and I will introduce you as I call you to testify.
1891 And we would like to start with Mr. Brooke Coleman, executive director at Advanced Biofuels Business Council.
1892 Brooke, you're recognized for five minutes. Welcome.
Mr. Coleman. Thank you. Thank you. Still good morning, I think.

Chairman Shimkus, Ranking Member Tonko, members of the subcommittee, my name is Brooke Coleman. I am the executive director of the Advanced biofuel Business Council.

We represent worldwide leaders in the effort to develop and commercialize cellulosic biofuel ranging from cellulosic ethanol made from agricultural residues to advanced biofuel made from sustainable energy crops and municipal solid waste.

Let me start by thanking the committee and staff for deliberating what we know is a tough issue -- the Renewable Fuels Standard -- and more generally, the need to curb or at least bring competition to the pump with regard to fossil fuels.
The RFS is a political lightning rod not because it is flawed. Rather, because it is creating competition that incumbents do not want to see and drives the growth of now the largest renewable energy sector in the country.

The RFS pertains to the industry I represent, the cellulosic biofuels industry. An underpinning of the political case against the RFS is the allegation that we have failed to deliver on the promise of cellulosic biofuels.

What has actually happened over the last 10 years as our industry has gone from the technological development phase to the commercial deployment phase, as promised.

But in order to build plants and scale the RFS must be enforced and in many recent years the RFS was not enforced at all. In other years, billions of gallons were unlawfully waived in reaching oil refiners large and small at the expense of rural America.

This level of unpredictability pushes innovators outside of the country and that's what has happened as we watch China, Brazil, Canada, even Romania and other countries now beat us to the punch on cellulosic biofuel development.

So what's the solution? I think it's a fair question.

While we appreciate the committee's work in trying to find one,
we cannot support this particular one as constructed.

There are two primary pieces to successful biofuels deployment. The impetus to produce the fuel on the front end and the ability for consumers to access it on the back end. The RFS does both at the same time.

It encourages production by requiring blending and it enforces a RIN system on the back that rewards those who make investment to deliver more biofuel to the consumer. It's a very simple system.

The Discussion Draft more explicitly requires market readiness for biofuels as it relates to vehicles, fuel dispensers, and important regulatory updates like RVP.

That's a good thing. But it offers explicit market readiness at the expense of the upstream policy that would allow more biofuels to flow through updated hoses and regulations and into vehicles.

Ideally, a free market provides the impetus to produce biofuels. But as we have seen for decades with ethanol, beating the incumbent on price does not guarantee demand because motor fuel markets are not free markets.

Replacing the cure for this problem in the RFS with an octane standard is the equivalent of an open invitation for the oil
industry to use less biofuel and increase carbon emissions in the process.

Earlier this month, the EIA on a report that we have talked about already, confirmed what the oil industry has previously admitted -- that a 95 RON standard could be easily met with minimal refinery upgrades.

The truth is -- and we haven't talked about this -- we have done this before. The oxygen standard enacted in 1990 was a so-called performance based fuel quality standard. It was supposed to drive demand for ethanol based on its superior fuel characteristics including price.

It didn't, because the oil industry prefers to control the entire motor fuel gallon by purchasing octane from themselves. So instead of ethanol we got MTB, a fuel additive that polluted America's drinking water and had some small towns trucking drinking water into local schools.

Unfortunately, the Discussion Draft offers a similar dynamic as it pertains to advanced biofuels. The act would establish a more automated system when it comes to setting and enforcing advanced biofuels standards.

In theory, this system would provide more predictability for innovators. That is a good thing.
But it offers predictability by tying the volume standard to the actual production in the prior year. The problem with setting the cellulosic biofuel standard based on prior year production is it puts the growth trajectory of cellulosic biofuels into the hands of our competitors in the oil industry.

This is true, because in order to secure investment to build capacity our industry has to be able to show likelihood of demand. In the absence of a free market and within RFS phase out, we would have to show some sort of commitment from the oil industry to buy cellulosic biofuel. If the oil industry knows it can control the cellulosic biofuel to secure financing, the oil industry knows it can control cellulosic biofuel development by avoiding those commitments and that federal law now rewards that behavior with greater market control. That's what they will do.

We continue to believe that the solution here is not legislative. There is already an administrative effort underway to address RVP. We can do many of the things to create certainty from a forecasting perspective inside of existing law.

We appreciate the opportunity to be here today.

[The prepared statement of Mr. Coleman follows:]
Mr. Flores. [Presiding.] Mr. McAdams, you're recognized for five minutes.
Mr. McAdams. Chairman Flores, Ranking Member Tonko, Congressman Olson, Chairman Shimkus, I am delighted to once again appear before you to testify on the importance of federal policy in furthering the development of next generation sustainable renewable fuels.

On behalf of the membership of the Advanced Biofuels Association, I want to personally thank Chairman Shimkus and Congressman Flores for your courage and leadership in providing an RFS draft reform package.

The countless hours that members on both sides of the aisle have spent attempting to craft a middle ground to update and revise the focus of the delivery of second generation advanced fuels is long overdue.

In spite of the best intentions, it is clear that the current statute needs updating if we are to enable the technologies to move forward and produce the volume of fuels which were envisioned by the original authors of the law.

That renewed focus is particularly relevant, given the recent release by the administration's warning on the impacts of climate change and the containment of the most destructive
wildfire in California's history.

In addition to continued growth in aviation, which is currently doubling every 15 years, along with the new global carbon targets for international airlines, will drive the need for these fuels, moving forward.

These advanced fuels will provide an alternative to higher carbon fuels in our future, as noted by the government's recent climate report. However, as I've testified before, there are numerous barriers to entry under the current RFS program that specifically disadvantage advanced biofuels.

My written testimony goes into specific recommendations in more detail. Previously, I provided you 21 of them. But I would like to highlight a few potential reforms as well as some -- offer some comments on the recent draft bill introduced by Congressman Shimkus and Congressman Flores.

First and foremost, if you consider making changes to the RFS, we would urge Congress to take the politics out of the equation as much as possible by making the RFS a rules-based system.

Therefore, we support the provision in this bill that would base the annual RVO on the previous year's actual production, queuing up mid-year and end-year volumes, which would set the
RVO for the future and that would thereby set a mandate for the
obligated parties.

This would reduce volatility in the RIN market, diminish
the need for cellulosic waivers for fuels which do not exist,
and encourage obligated parties to buy available produced gallons
for the RINs.

Any reform to the RFS should also expand the definition for
what constitutes renewable biomass and allow feedstocks to comply
on a mass balance basis rather than imposing burdensome mapping
restrictions on those feedstocks.

Naturally regenerative trees under sustainable forest
management practices should be available for use under this
program. Currently, they are not.

We are long past due to have a plant-a-tree pathway promised
by EPA years ago. The Shimkus-Flores bill takes an important
step in this direction by redefining renewable biomass to include
trees and tree residues, paving the way for increased deployment
of pyrolysis and other technologies.

By the way, the three current cellulosic plants being in
the United States, which we represent, are all pyrolysis
technologies.

We support the bill's efforts to pivot the focus on the
This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee’s website as soon as it is available.

2073 development of fuels of the future by providing some regulatory
certainty for the advanced and cellulosic biofuels and biodiesel
through 2032 or longer. We recommend you look at the length of
the average debt financing, which is 20 years, in lieu of 2032.

2077 This time frame is consistent with the standard of the debt
term. The steps which you have taken in your draft bill at a
minimum will send a strong signal to the financial institutions
that the federal government supports the development of these
fuels in the future by guaranteeing the rent over a longer time
frame.

2083 We also suggest you encourage EPA to address the
biointermediate issue in the upcoming reset rules proposed this
year. Currently, three of our members who are building plants
would not get a rent unless this problem is resolved.

2087 I attached a list of other specific recommendations for your
consideration, which I believe would all fall under the title
of common sense, which will require statutory changes in order
to allow EPA to make this program more economically and
administratively efficient.

2092 Again, on behalf of all of our members, we want to thank
you for your leadership and urge the members of this committee
to seriously consider making the reform of this program a priority
Thank you, and I look forward to answering your questions.
Mr. Flores. Thank you, Mr. McAdams. I think we can all agree on having common sense titles in our bills. It's a good start.

Mr. Feraci, you're recognized for five minutes for your opening comments.
Mr. Feraci. Thank you, Mr. Chairman.

Chairman Shimkus, Ranking Member Tonko, members of the subcommittee, I appreciate having the opportunity to testify today on behalf of the Coalition for Renewable Natural Gas.

Renewable natural gas, or RNG, is derived from biogas captured from organic waste streams at landfills, wastewater treatment facilities, and from anaerobic digestion of agricultural waste.

The captured biogas is refined to meet fuel quality standards that make RNG indistinguishable from natural gas. The fuel is fully fungible in our nation's existing infrastructure and can be readily used in natural gas vehicles.

More than 25 percent of the nation's medium and heavy duty natural gas vehicles are fuelled by RNG. RNG qualifies as a cellulosic biofuel under the Renewable Fuels Standard. It reduces life cycle greenhouse gas emissions by 80 percent or more compared to the conventional diesel fuel.

In fact, the RNG industry provides more than 95 percent of the fuel used to meet the program's cellulosic biofuel requirements today.
The production and use of RNG has grown significantly since it was included in 2014 as a cellulosic biofuel. The industry has developed over 45 production facilities and there are over 50 projects currently under construction or consideration.

RNG production for transportation fuel grew from approximately 33 million ethanol equivalent gallons in 2014 to 240 million gallons in 2017. That's more than a 620 percent increase in the three-year period.

This growth has put the industry on track to exceed EPA's production estimate from 2018. Each RNG project averages -- on average creates 173 direct or indirect jobs and attracts between $10 million and $70 million in capital investment.

In sum, the RFS has resulted in a growing vibrant domestic RNG industry that is converting waste into growing volumes of domestically produced cellulosic biofuel that is good for the environment, and that sounds like a winning policy to us.

As I mentioned earlier, the RNG Coalition is pleased to provide initial feedback on the Discussion Draft. The RFS is a complicated multi-faceted program and statutory changes should be carefully vetted, given the impact they can have on stakeholders who have made significant capital investments.

The RNG Coalition recognizes the subcommittee's diligence...
in looking at this issue. The RNG industry supports the RFS program as a way to increase domestic production and use of advanced biofuels and, in turn, address the nation's energy and environmental policy objectives.

This methodology used to set volume obligations under the RFS program should be consistent with this approach. Volume targets, going forward, should be realistic and attainable. They should also be structured in a way to encourage steady growth of advanced biofuel production.

Under current law, the RFS program does not lapse. Beyond 2022, the EPA administrator sets the program's volumes based on six statutory factors. The Discussion Draft would sunset the RFS program for advanced biofuels after 2032.

RNG projects require significant capital investment and deployment in new infrastructure. They often involve a 20-year off take agreement with feedstock providers.

A long-term RFS program provides a policy framework that attracts that capital needed to develop new RNG projects. Conversely, a premature sunset of the RFS program's advanced biofuels requirements could chill investment in new RNG projects, which could undermine the overall policy objectives of the RFS program.
The Discussion Draft would also modify how the volume targets for advanced biofuels are set. It would use the previous year's production levels -- production data to set annual use requirements for advanced biofuels.

While the RNG Coalition recognizes the desire to provide certainty in the volume setting process, this approach could have the unintended consequence of causing advanced biofuel production to stagnate or potentially contract.

The RNG Coalition wants the RFS program structured in a way that promotes steady sustainable growth in the advanced biofuels marketplace.

Mr. Chairman, Chairman Shimkus, Ranking Member Tonko, again, I appreciate the opportunity to testify. The RNG Coalition recognizes the hard work and effort that this subcommittee had made to tackle what is admittedly a very, very difficult issue.

There are significant benefits associated with the expanded domestic production and use of RNG, and we remain willing to work constructively with you going forward to achieve the RFS program's worthwhile policy goals, and I would be happy to answer any questions you may have.

[The prepared statement of Mr. Feraci follows:]

[The prepared statement of Mr. Feraci follows:]
This is a preliminary, unedited transcript. The statements within may be inaccurate, incomplete, or misattributed to the speaker. A link to the final, official transcript will be posted on the Committee’s website as soon as it is available.

**********INSERT 9**********
Mr. Flores. Thank you.

Mr. Fialkov, you're recognized for five minutes for your opening comments.
Mr. Fialkov. Good morning, Mr. Chairman.

Chairman Shimkus, Ranking Member Tonko, thank you very much for inviting me to testify today. It's really a privilege to be here with you.

My name is David Fialkov. I am the VP of government relations at NATSO, which is a national trade association representing really off-highway fuel retailers from large multibillion-dollar travel center and truck stop chains to smaller independent single-store mom and pop type operators.

Most of our members sell gasoline. Many of them blend ethanol. My testimony this morning, however, will focus primarily on diesel markets and opportunities for Congress to incentivize diesel retailers to incorporate increasing amounts of advanced biofuels such as biodiesel into the nation's diesel fuel supply.

The RFS, which this bill would reform, has largely been successful in doing this. Over the last decade, for example, biodiesel and grown tremendously and the reason for that is that the RFS creates a mechanism whereby diesel retailers can offer fuel to truck drivers for less money the more biodiesel that they
incorporate into their fuel supply and that's really a fundamental component to understand throughout all of this.

Retailers are not obligated to blend biofuels under the RFS. They choose to do it, and they only choose to do it if doing so allows them to sell fuel for less money.

So in this respect, retailers really function as surrogate for consumers in assessing advanced biofuels' value proposition and my views on the legislation today, which I will share, are simply designed to help you enhance advanced biofuels value proposition. In many ways the bill moves the RFS in the right direction in this respect. In other areas, it could be improved.

Taking a step back, the RFS is really an extraordinary example of Congress and the executive branch sharing authority to implement the program.

Mandating such a substantial shift in the composition of motor fuel in the United States is not an insignificant assertion of legislative authority and, obviously, to avoid unintended consequences associated with future market developments that Congress cannot be expected to predict or know, EPA has to have some flexibility to make adjustments along the way.

In my view at this time, however, EPA has too much discretion and it has led to volatility and uncertainty that undermines the
In reforming the RFS, the main lesson that you should have learned over the last decade is that Congress needs to reassert itself and limit the degree to which the ideological and political preferences of the executive branch can alter the program's trajectory.

Overall, I think that the bill threads this needle quite nicely. A rules-based RVO process, extending the advanced biofuels categories an extra 10 years while also allowing for mid-year adjustments will undoubtedly incentivize more fuel retailers to buy and blend more advanced biofuels while baking in enough flexibility with the mid-year adjustments to avoid the unintended consequences.

That being said, it was very disappointing to see that the bill was silent on the issue of small refinery exemptions. Over the past year, the EPA has been handing out small refinery exemptions like Halloween candy and they have been doing it oftentimes to some of the most successful profitable refining companies in the country.

And the fact that those agencies are doing that in this way is undermining the demand for advanced biofuels. That agency officials can say with a straight face that they're doing it...
consistent with the law should operate as a bright shiny red flag to you that it's time to reexamine that provision either by eliminating it entirely or by altering it so that waivers are issued far less frequently and they're issued in a way that does not so dramatically undercut demand for advanced biofuels.

I've heard Chairman Shimkus say before that in giving advice to people who testify that you're not going to hurt anyone's feelings if you don't use your full allotted five minutes.

So in that vein, I hope to hurt none of your feelings and I am happy to answer any questions that you have.

Thank you again for inviting me.

[The prepared statement of Mr. Fialkov follows:]

**********INSERT 10**********
Mr. Flores. Thank you.

Mr. Kovarik, you're recognized for five minutes for your opening statement.
Mr. Kovarik. Good morning.

Thank you, Mr. Chairman, Chairman Shimkus, Ranking Member Tonko, and members of the committee. Thank you for inviting me to testify today.

My name is Kurt Kovarik and I am vice president of federal affairs for the National Biodiesel Board. My trade association represents 130 members with biodiesel production facilities in nearly all 50 states.

The produce clean-burning biodiesel from a variety of feedstocks including vegetable oils, animal fats, and recycled oils such as used cooking oil.

I appreciate the subcommittee's inclusion of biodiesel in today's discussion and throughout this process. I look forward to contributing to the development of any proposals to improve the Renewable Fuel Standard.

The Discussion Draft highlights one of our frustrations with the RFS. The biodiesel industry has proven over and over again its ability to produce higher volumes. Yet, EPA continually sets biomass based diesel volumes in the annual RFS rules well below our demonstrated capacity.
The agency continues, as demonstrated in November's final rule, to limit growth for our advanced biofuel volumes. Biodiesel achieves considerable carbon reductions, up to 86 percent compared to petroleum fuels. Higher volumes for biomass based diesel would better achieve the environmental goals of the original RFS program.

Biodiesel is the success story of the RFS. The program has been the foundation for biodiesel industry's growth over the past decade. Our industry has grown from about 400 million gallons in 2007 at the start of the program to more than 2.6 billion gallons today.

We expect the program will continue incentivizing investment and supporting our industry's growth over the decade and more. We are pleased that the Discussion Draft recognizes that the biodiesel industry would not benefit from the proposed changes to the octane standard or other regulatory changes in the Discussion Draft.

We appreciate the committee's recognition that the biodiesel market is different from the ethanol market and that the Discussion Draft includes provisions to provide additional certainty for advanced biofuels.

Unfortunately, these provisions fall short. We are concerned
that the Discussion Draft does not incentivize ongoing investments and support predictable year over year growth for our industry.

The Discussion Draft would direct EPA to set backward looking volume requirements. While this may protect existing assets in the near term, it would not drive further investments or growth.

One necessary improvement to the draft would be to add achievable predictable growth for our industry over time. With consistent and predictable growth, the biodiesel industry would have the necessary incentive to make capital investments, develop additional feedstocks, and improve efficiencies.

Stagnant or decreasing volumes do not provide any of those incentives. For the biodiesel industry there is no pressing need to significantly reform or replace the RFS.

The program does not end or change drastically in 2022, despite what some have said. The EPA is required to set future volumes for all fuel categories under the same process that has been in place for biomass-based diesel since 2013.

The RFS, therefore, has the potential to support our industry's growth beyond 2032 to where the Discussion Draft's support would end.

The biodiesel industry continues to grow and to invest under
the current RFS because the program, when stable, promises the opportunity for additional growth.

We appreciate that the Discussion Draft would direct EPA to set volumes according to our proven ability to produce, that the draft would be significantly improved if it provided long-term certainty and predictable growth over time.

Thank you for the opportunity to testify today on behalf of America's biodiesel renewable diesel industry.

I am happy to answer any questions.

[The prepared statement of Mr. Kovarik follows:]

**********INSERT 11**********
Mr. Flores. Thank you for your opening comments. We appreciate each of your testimony. We are now going to move into the Q&A portion of our hearing. I want to recognize myself five minutes -- for five minutes for my questions.

Mr. Coleman, your testimony claims that the Discussion Draft will increase gasoline prices because ethanol will not be used by refiners. That's somewhat in conflict with what we heard in the last panel.

I think there were some folks that want to argue about the readily available octane enhancers today versus what was available 15 years ago.

But I am interested in developing a current solution. So what's your proposed legislative solution for keeping gasoline prices lower using a high-octane performance standard?

Mr. Coleman. So the reason that I made that allegation is that here is no alternative octane to ethanol that is even close to as cheap as ethanol is.

And so you're either creating a status quo environment or are you putting something in the fuel that is more expensive?

You don't have to look very far. If you look at zero percent ethanol blends in the market today they're $0.40 to $0.50 per gallon more expensive.
In terms of -- and I am not going to dodge your question on what the legislative proposal is -- I think the RFS should be bedrock baseline in this country because it's produced such outstanding outcomes, particularly for the middle of the country.

And if you want to get to a cleaner environment with -- give the auto industry what they want, which is cleaner fuel so they can improve emissions, then you do it on top of the RFS.

Can you make tweaks to the RFS that makes sure dumping the RFS for higher octane will just remove the incentive to use renewability --

Mr. Flores. So how do you set those levels and in a declining liquid fuels market how do you set them or you get them right and you don't somehow create disturbances in the market that harm consumers?

Mr. Coleman. I am not sure if I agree with the idea that it harms consumers. So if you use -- if you keep -- maintain certainty with the RFS and what the signal that sends to the marketplace is that we are going to keep ethanol in the fuel, which right now is not -- Mr. Thompson said it was $0.04 cheaper. It's closer to $0.20 cheaper.

It says don't replace ethanol with more expensive octane enhancers and then ramp your RON the way you want to go. You...
don't lose ethanol, and if the oil industry wants to alkylate fuel or add more aromatics on top of that, then they can get there. They're not going to tell you they can do that, but they can do that.

Mr. Flores. Let's continue.

I think we heard in the last panel that the consumers ultimately are going to make the decisions as far as what the costs are, not the refiners. Not any other party.

Mr. Kovarik, your testimony states, we appreciate that the 21st Century Fuels Act would direct the EPA to set volumes according to our proven capacity to produce.

You went on to say you would prefer that it provided long-term certainty and predictable growth over time.

What does that mean from a legislative language perspective?

If we wanted to incorporate your concepts in our legislation what would that look like?

Mr. Kovarik. Thank you for the question. I appreciate the opportunity to answer that.

One of the things that has harmed our industry and really prohibited our industry from achieving its full potential is the fact that all of our federal policies that affect our industry have been terribly uncertain since the creation of the RFS --
the original RFS in 2005.

One way to improve this legislation might be to not only provide longer term period for advanced biofuels but also include some degree of statutory certainty that volumes will increase year over year to allow the industry to make the capital investments, developing additional feedstocks, and grow to an economy of scale where they may no longer need certain areas of federal policy support.

Mr. Flores. So you're in the weeds a little bit. How would you set those volumes? How would that be done? When you don't know what the market is going to be like, you don't know where the technology is going, how would you set the volumes?

Mr. Kovarik. I think you could start by looking at the domestic -- the market, what is currently produced, and then include a reasonable achievable levels of growth whether that be -- 5 percent year over year might be an example. But what would be achievable and certain for the industry so that they could respond to it.

Mr. Flores. Okay. If you have positive tax treatment for biodiesel blending if you assume that that's assured, would you need the RFS to compete?

Mr. Kovarik. The two policies are very complementary. The
RFS essentially guarantees producers that there will be a market for certain volume of product.

The tax incentive works in very different way in that it provides the incentive for our downstream partners to put in the infrastructure, the blending facilities, and the retail facilities to sell additional product to consumers.

The reason our downstream partners want to sell more of the product is because of the value proposition because of the combination of the RFS and the tax credit, and I would like to see a time and place where we no longer need those policies.

But the fact of the matter is neither have been certain enough with the longevity required to provide the industry with the certainty to grown and flourish.

Mr. Flores. Thank you. My time has expired.

I recognize Mr. Tonko for five minutes for his questions.

Mr. Tonko. Thank you, Mr. Chair, and I think many members support the RFS due to its envisioned role in promoting the development of and market for advanced biofuels.

Even the program's most ardent supporters would have to admit that the expected growth of these fuels has not come to fruition.

I know there are many reasons that that is the case. But I want to use this time to look forward.
So would anyone like to comment on why or why not this Discussion Draft would remedy those issues and actually result in the growth of a domestic advanced biofuels industry?

Anyone? Mr. Coleman.

Mr. Coleman. I am sure I will have a couple people who want to help answer this question. But we do not believe that it's going to create growth in the advanced biofuels industry because we have to partner with the oil industry one way or the other to get the job done in the advanced biofuels industry.

Sometimes it's on the front end with actual strategic investment. Valero, BP -- they've been investors historically in this industry.

But inevitably it's also on the back end. You have to be able to show investors that an oil industry is interested in not taking your fuel in order to build that plant and if we have a system that automatically predicts incoming gallons based on last year's volumes, the oil industry is simply not going to participate in that process and you're going to have incremental, if any, growth, basically only when the oil industry is completely uninvolved.

And the issue that we have had with deployment over the last 10 years -- and I think this is a point of agreement for all of
the advanced biofuels advocacy -- is not one of commercial

the advanced biofuels advocacy -- is not one of commercial
technological development.

We are there. It's an issue of scale. And when the program
is not enforced for two or three years in the wake of a 100-year
recession and then we have waivers, we have nothing to look to.

So that is where our issues are and we would ask that we
keep pushing on EPA to enforce the law.

Mr. Tonko. Anyone else? Mr. McAdams.

Mr. McAdams. I would say that the right question is, since
you guys are working with the Discussion Draft here, what can
you do to bring those fuels.

And what I gave you after the last hearing was 21 examples
of specific barriers to entry, definitions in other regulatory
regimes that block the future of advanced undesignated fuels and
block cellulosic fuels.

What this draft does do is it speaks specifically to the
wood piece in a way that has never been addressed before and that
is a very positive thing.

Let me give you an example. If you, under the current
biointermediate regs at EPA, if I am trying to take a pyrolysis
plant which I am either Ensign, which building a plant in Georgia
or I am Fulcrum, I am building a plant in Nevada or I am Red Rock,
I am building a plant in Oregon, and I use the woody biomass and I make a pyrolysis oil, under the current biointermediate standard I can't co-locate that to co-process into a jet fuel or into a diesel.

And one of the things this hearing has done is it's focused way too much on gasoline and not enough on the fact that we use 55 billion gallons of diesel and it's the fastest growing commodity in terms of demand, going forward, along with jet fuel.

So if you want to make billions of gallons of jet fuel to fly the airplanes because they're not likely to be electric in my lifetime, you're going to need those diesel distillate fuels.

And all of these impediments are statutorily driven that need to be addressed in a way. Same thing with waste oil. Same thing with one-celled biological organisms.

There's a whole plethora of these things that just prohibit technologies that we never knew existed when we did the spill in '07 that blocked the entry to these volumes.

Mr. Tonko. Thank you.

Mr. Feraci.

Mr. Feraci. Thanks, Mr. Tonko.

So I think it's a great question and I want to share the experience that we've had in the RNG industry because it's a fairly
new experience but I think that there's some lessons to be taken from that.

So our fuel become qualified as a cellulosic biofuel in 2014 and as I said in my statement, I mean, we've seen a 620 percent growth in the use of the fuel -- the cellulosic biofuel -- and what -- one of the big things that has spurred that is the RFS program and it's something at the federal -- a decision at the federal level that we are going to prioritize the introduction of advanced biofuels and that reduce greenhouse gas emissions that that's a federal priority from an energy policy standpoint and from an environmental standpoint.

But beyond that, the way that the RFS is structured now is when you set volumes out into the future it's prospective so that it allows investors to go and get private sector capital investment to put in the projects.

And like I said, when you're doing an RNG project, you know, it's not something you just put up overnight. I mean, you're going to have to go into a 20-year off take agreement with a feedstock provider to do this.

So, you know, as it comes back to the discussion of the Discussion Draft, I mean, I think that a piece of constructive criticism would be that you really want to have a formula, going
forward, that does drive growth and you want it prospective
looking because if it's just -- if you just look back at previous
production it could have -- what I was careful to say is, I think,
an unintended consequence of potentially having production be
flatter or even contract.

Mr. McAdams. Mr. Chairman, could I address this RVO
production?

Mr. Shimkus. [Presiding.] Well, I think I am going to be
asking you that question. So --

Mr. Tonko. I will yield back.

Mr. Shimkus. This is our last time together so we are
milking it out.

So let me just go directly to Mr. McAdams because I want
to address this issue about how you set the RVOs.

Obviously, you're in the minority at the panel saying that
we should do it based upon -- and we've had this discussion about
what are we actually producing now and then -- and then you propose
a mid-term review. So talk to your fellow panellists on why you
think that is successfully achieving, I think, what their goals
are.

Mr. McAdams. Okay. First of all, we need to realize that
the federal court directed EPA in 2013 that they could not put
their thumb on the scale.

So all three of these guys up on this panel are suggesting that they want to play politics and put their thumb on the scale instead of having a rules-based rule.

I disagree with them. So in the case of Mr. Kovarik, if you took the approach that you have put in this bill, Mr. Kovarik would have gotten 2.7 billion gallons of an RVO for the biodiesel industry this year instead of 2.1. That's a 600-million-gallon advantage.

So I don't know what we are talking about when we are talking about taking the actual production --

Mr. Shimkus. Okay. We can be nice.

Mr. McAdams. Okay. Taking the actual EMTS numbers off the system which have to be put in the system five days after the fuels are produced and then every six months queue up the RVO in line with the actual production of those numbers, okay.

Now, the second reason we should do this is because the oil industry and the obligated parties were allowed to use the waiver credits under the cellulosic standard and EPA, under the existing statute, which is another reason why we have to change the statute, EPA has taken the position since the beginning of the program that they must issue the same number of waiver credits each year
as the RVO.

So if I am Exxon Mobil, hypothetically, and I only need 300 million waiver credits for the cellulosic pool, I wait until the end of the year and I buy the waiver credits from EPA.

And all the gallons of cellulosic or biogas from my friend here don't get bought and it's not bought on a rateable take. You should consider a rateable take. That's also in my written testimony.

Mr. Shimkus. Follow up with the mid-term review and -- because I do think the intent was for us let's have achievable real numbers.

But then I do also appreciate the signals that we send about -- for people who wanted growth. So talk about the mid-term review and does that help incentivize that.

Mr. McAdams. So the way I would see it is if you -- if you're actually bringing these fuels into the market what would happen at the six-month review the EMT system would already incorporate these advanced numbers. So the number would go up.

So for Mannie, at the six-month mark instead of having to wait until the end of the year and argue that the next RVO should go into a black box at EPA and the number be lifted, the number automatically at six months relative to the projects he brought
in would come into the RVO.

It would be added to the RVO at six months. It would also be queued up at the end of the year at 12 months.

So you would collect your numbers and, again, the NBB guys would collect their numbers in the actual line with what they produced and that has nothing to do with whether the oil industry is going to buy this fuel or not, because David's right -- this fuel is going to get bought if the price is right.

Mr. Shimkus. Okay. Let me give you a short chance to respond, Mr. Coleman.

Mr. Coleman. Very quickly, two quick things.

We are not opposed to truing up. We've been asking for true up, which is mid-term review, for quite some time. So that's point one.

Point two is --

Mr. Shimkus. So that's a good process of our bill?

Mr. Coleman. Yes, that's a good -- truing up is okay as long as --

Mr. Shimkus. Very good. Whew, I am glad I got a good one.

Mr. Coleman. Although there's a comma. As long as --


Mr. Coleman. As long as -- and this is the short second
point -- that it's forward looking and EPA -- the one thing that
Mr. McAdams said that wasn't true is we are not asking for a thumb
on the scale.

After they lost that case, EPA went out and did a good
forecasting methodology that's forward looking. They can do
that, have it be completely legal, and do mid-term review.

Mr. Shimkus. Great. Thanks. Anyone else?

Go ahead, Mr. Feraci.

Mr. Feraci. Yeah, and --

Mr. Shimkus. Quickly.

Mr. Feraci. I am going to start, Mr. Shimkus, by -- I am
going to be nice. So here's my -- so here's what I would say,
and I really do think that Mike is probably coming at this from
a good place and he's advocating for his members.

When we said that there could be -- potentially being
unintended consequences, let's take a very real-world example.

So the EPA just came out with the RVO for cellulosic biofuels
this year. They're going to set that at 418 million gallons.

So prospectively for this year, going forward, that's what
the biofuel requirement is going to be. If you were doing a look
back, it would be -- the numbers aren't in final but it would
be around 323 million based on EPA's numbers.
So when you're talking about something of the scale that way, when you're talking about trying to drive RNG investment, it's a lot easier to go and get that investment forward looking, having a volume like that, as opposed to looking back and saying, yeah, there's going to be this mid-term review process and it may work out. It may not. People may time their buying different based on that mid-term review.

So, again, it's just a constructive observation in terms of things to think about when you --

Mr. Shimkus. Yeah. I've got -- my time is expiring and so I think we are hashing this out that there is a way to get there and that's, again, Mr. Tonko's problem next year.

[Laughter.]

But I want to end -- I want to end on this statement. Then I will go to Mr. Olson.

While the RFS does not end in 2022, as you all have highlighted in this panel, it does evolve in a scenario where EPA has enormous discretion to set levels based upon a bunch of unweighted factors.

That should scare everyone and that's part of the reason why we are trying to move to certainty versus uncertainty.

And with that, I would like to yield to the Texan, Mr. Olson,
Mr. Olson. I thank the chair, and welcome, guys, and let's be very friendly. Okay.

I am from a big oil and gas state, Texas. You all know that but I want to say, Mr. Feraci, I've seen your product firsthand back home.

Fort Bend County, right near Needville, Texas, we have a renewable natural gas facility that's going strong for about five years now. It's in partnership with WCA, Morrow, Enerdyne, and Fort Bend County.

What it does is there is a municipal dump. They stack up their products at the dump. They are decomposing. They grab methane. They turn that into natural gas, get a pipeline, it goes to market.

So I believe in your product. It's working back home. I've seen it first hand. I will invite you to come out and see if you haven't.

I have a question for all five of you, just sort of around the table. One thing that has bothered me over and over that's talked about by this panel is how uncertain the RFS is.

I know D.C. has a role in that. There's other market factors. So can you talk about whether this bill moves in the
right direction or the wrong direction for certainty and are there things that we should look at?

Mr. Coleman, you're up first, sir.

Mr. Coleman. So our position on the fundamentals of the bill, which is octane trade for RFS, is that that's not going to work for us because we don't know what the oil industry is going to do.

The EIA suggestion that they can do it without us we do not feel like that is a good trade for us and could actually -- we could be rolling back from a renewable fuels perspective.

Mr. Olson. Mr. McAdams, sir.

Mr. McAdams. Any bill that starts a discussion on reform is a good bill for us.

Mr. Olson. There we go.

Mr. Feraci.

Mr. Feraci. I would base it on current law. So right now, admittedly, there's instability in the way that it functions post-2022. But it is permanent long and it's something that's there for our industry as opposed to something that will sunset.

Mr. Olson. I apologize. Mr. Feelakov. Is that close?

Mr. Fialkov. That's very close.

Mr. Olson. Thank you.
Mr. Fialkov. It's Fialkov. But I think that the bill moves in the right direction with respect to the rules-based RVO. I agree with everything that Mr. McAdams just said.

I would say that this notion that there's kind of a homogenous oil industry that will, as part of a stratagem, not buy biofuels in order to artificially lower the RVO in a given year.

It's simply not true. I mean, to the extent it would lower diesel prices by a cent a gallon I know people who would kill one another to get that cent.

So that is something I am not concerned about and I don't know where that fear comes from. But I will say that all of the progress in terms of establishing certainty and what not doesn't mean a lot if you don't address the small refinery exemption issue because that is the kind of thing that will inject uncertainty and the mere fact that it's looming out there means that there's a level of uncertainty that you just can't overcome no matter how you adjust the RVO process.

Mr. Olson. And Mr. Kovarik, your concerns.

Mr. Kovarik. Yes, thank you, sir.

Just very quickly. I think we view the backward-looking setting the volumes as a small step towards certainty. That, coupled with no guarantee or no ensure of growth -- our industry
-- along with the sunsetting of the program in 2032, are the failings of the bill.

Mr. Olson. Thank you.

One final question for my good friend who controls all the power pumps there. We have professional drivers, mostly truck drivers, pros. We talked last panel about misfueling.

Now, that could be a concern, and one of the panellists on the last panel pointed out a great point that hey, I can't control a person putting diesel in a gasoline engine -- that just happens.

So my question is are your customers more likely or less likely to make a misfueling mistake because they're pros and how can this bill help ensure we have no misfueling issues or as few as possible? Because that's a real big deal back home.

That's a yes or --

Mr. Fialkov. So with respect to the -- if I understand your question correctly, there's very little concern that a professional truck driver will put gasoline in a truck, if that's what you're asking. I think --

Mr. Olson. How about most of the people you work for -- it's not just truck drivers. You got a lot of people here at the pump and that's where these mistakes are made.

Mr. Fialkov. Yeah. I mean, undoubtedly, when you have a
bifurcated fuels market or automobile market where some cars can only accept certain fuels, other cars can only accept other fuels and one of those fuels is materially less expensive than another, there are going to be instances where people are going to try to put the less expensive fuel in a car that can't handle it.

So I think that all of the misfueling mitigation concerns that were addressed in the last panel by Mr. Columbus are spot on and the committee would be wise to take them.

Mr. Olson. Thank you. I am out of time.

Have a great holiday season. I yield back.

Mr. Shimkus. The gentleman yields back his time.

Seeing no further members wishing to ask questions, I would like to thank you all for being here. I think it was a very vibrant and important part of this discussion on the draft bill and I would like thank you for being here today.

Before we conclude, I would like to ask for unanimous consent to submit the following documents for the record: a letter from the American Petroleum Institute; a letter from the Illinois Corn Growers, a letter from Briggs and Stretton, a letter from the National Farmers Union, and a letter from the Union of Concerned Scientists.
Without objection, so ordered.

[The information follows:]

**********COMMITTEE INSERT 12**********
In pursuant to committee rules, I remind members that they have 10 business days to submit additional questions for the record. I ask that witnesses submit their responses within 10 business days upon receipt of the questions.

Without objection, this subcommittee is adjourned.

[Whereupon, at 12:30 p.m., the committee was adjourned.]