

August 14, 2018

The Honorable Andrew Wheeler
Acting Administrator
U.S. Environmental Protection Agency
Ariel Rios Building Mail Code: 1101 A
1200 Pennsylvania NW
Washington, DC 20460



United Way of
Gloucester County

Re: Renewable Fuel Standard Program: Standards for 2019 and Biomass-Based Diesel Volume for 2020;
Docket ID No. EPA-HQ-OAR-2018-0167

My name is Michael Gower, Executive Director of the United Way of Gloucester County. I am submitting these comments in relation to the Environmental Protection Agency's (EPA's) proposed Renewable Fuel Standard Program: Standards for 2019 and Biomass-Based Diesel Volume for 2020 (EPA-HQ-OAR-2018-0167; FRL-9980-37-OAR).

EPA's proposed increase in the RFS requirement (also called the Renewable Volume Obligation or RVO) over 2018 levels fails to recognize the blendwall and the uneven playing field among RFS obligated parties. It could result in upward pressure on RIN costs, which, as we saw earlier this year with Philadelphia Energy Solutions (PES), would once again threaten highly skilled domestic refining industry jobs.

To avoid this situation, EPA should use its waiver authority to prevent "severe economic harm" and reduce the proposed 15 billion gallon conventional biofuel requirement to a level that reflects 9.7 percent of projected fuel demand. This reduction would accurately reflect the ethanol volume *all* vehicles and infrastructure can safely handle.

A look back on the last six months proves EPA can help prevent RIN price spikes without adversely impacting biofuel consumption. A combination of RFS reform discussions and small refiner waivers has resulted in RIN prices decreasing from 90 cents last November to approximately 20 cents recently. Despite these factors, U.S. Energy Information Administration (EIA) monthly data shows there has been NO backtracking on biofuel blending. In fact, the blend rate in the first quarter of this year was slightly higher than it was in the first quarter of last year. Witnesses at a recent Congressional hearing before the House Energy & Commerce Committee also noted record biofuel production and consumption this year, with one highlighting EPA data proving the country is right on track to consume the mandated amount of biofuel this year.¹ Again, this has all occurred in conjunction with small refiner waivers and falling RIN prices. The facts to date show that domestic biofuel use will remain robust, even when the standard is waived for parts of the industry. These facts prove EPA can set a reasonable volumetric requirement that is below the blendwall without adversely impacting domestic ethanol or other biofuel consumption, much of which is economic without government support.

At the same time, facts prove setting unreasonable biofuel requirements does result in skyrocketing RIN costs that cause "severe economic harm." The Philadelphia Energy Solutions (PES) bankruptcy earlier this year was the result of soaring RIN costs leading to hundreds of lost jobs, with thousands more at

¹ <https://energycommerce.house.gov/hearings/background-on-renewable-identification-numbers-under-the-renewable-fuel-standard/>

risk. EPA recognized this reality in approving the PES bankruptcy plan earlier this year. An RVO that risks RIN prices spiking could once again threaten thousands of jobs in Philadelphia and in merchant refiners across the country.

The Paulsboro Refinery is an economic engine for the state and region. They employs approximately 475 people full-time, along with an additional 200 contractors that are regularly working on site. When the facility undergoes major maintenance projects, it creates nearly 1,000 additional jobs. In the high RIN price environment of the last two years, RINs became the refinery's most significant operating expense; rising above pay, benefits and energy costs. The refinery spent nearly \$150 million from 2015 to 2017 on RINs. Returning to such a financial environment would be unsustainable and would certainly threaten jobs in the region.

The Paulsboro Refinery has produced fuels for more than 100 years. It has provided stable employment for generations of families who have relied on its generous compensation package to provide a good quality of life for their families. The Paulsboro Refinery stands as a fixture in the Paulsboro community, serves as a major contributor to the strength of local economies, and promotes community involvement. The employees at the Paulsboro Refinery have been instrumental to the United Way of Gloucester County's annual fundraising campaign and the success of the local programs our organization funds.

As Executive Director of the United Way of Gloucester County (UWGC), I have had the pleasure to meet with many of the employees at the Paulsboro Refinery, and I am grateful for everything they have done to "Build Better Lives" in Gloucester County. Many of the refinery's employees are active volunteers in the community, serving on various Boards and Committees. They provide key leadership and technical assistance for many of the local nonprofit organizations, schools, churches and local fire departments. The Paulsboro Refinery and their employees are always will to help and provide assistance when and wherever they can. United Way, Gloucester County and the local community is truly blessed to have an engaged partner that cares about the local community.

It has been incredible to see the generosity of the Paulsboro Refinery employees. They donate whatever funds they can, and they give from their hearts so that people less fortunate in our County can have better opportunities. Last year, the employees and business partners at Paulsboro Refinery raised over \$379,000 for our local United Way. Those funds went to support much-needed programs in Gloucester County to help fight local issues such as food insecurity, homelessness, and illiteracy. The United Way of Gloucester County is genuinely indebted to the Paulsboro Refinery, whose philanthropy has empowered and strengthened the lives of Gloucester County residents over the years.

If RIN costs were to skyrocket, our entire County would be negatively impacted. It would not only have a detrimental effect on the lives of the refinery employees; it would also heavily impact United Way's funded programs and the local community.

We also encourage EPA to reduce the proposed RVO increase for advanced biofuel. Biodiesel is essentially the only fuel available to meet the advanced mandate. EPA and EIA data indicates domestic biodiesel production is up compared to last year, but will fall short of this year's requirement. This situation results in a de facto foreign biodiesel mandate, which is costly and runs counter to the energy security goals of the RFS.

Finally, we are encouraged that EPA is taking comment on RIN market reforms, but believe such reforms should be dealt with in the final RVO and not via a separate rulemaking. Even biofuel interests have questioned the volatility of the RIN market. The history of the program shows wild swings in RIN costs, but the percentage of ethanol blended into gasoline has stayed at around 10 cents regardless of whether RINs are three cents or \$1.40. Public comments EPA received for last year's RVO detailed several observations of possible market manipulation that could be unlawful in other contexts, but not controlled or regulated in relation to the RIN market. EPA must act to prevent anti-consumer manipulative practices and should advance RIN market reforms in the final 2019 RVO, rather than wait to pursue measures addressing RIN market integrity in the future.

Sincerely,



Michael Gower
Executive Director
United Way of Gloucester County