

LABORERS' LOCAL 500



April 26, 2019

The Honorable Andrew Wheeler
Administrator
U.S. Environmental Protection Agency
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1200 Pennsylvania NW
Washington, DC 20460

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Re:
Modifications to Fuel Regulations To
Provide Flexibility for E15;
Modifications to RFS RIN Market
Regulations (Docket ID No. EPA-HQ-
OAR-2018-0775; FRL-9991-04-
OAR)

Honorable Mr. Wheeler:

As the Business Manager and Leader of LIUNA Laborers' Local 500, I am joining other like-minded representatives and submitting these comments in relation to the Environmental Protection Agency's (EPA's) proposed Modifications to Fuel Regulations To Provide Flexibility for E15; Modifications to RFS RIN Market Regulations (Docket ID No. EPA-HQ-OAR-2018-0775; FRL-9991-04-OAR).

Laborers' Local 500 welcomes the EPA's proposed Renewable Identification Number (RIN) market reform proposals, but the Agency needs to get the details right. Costs for Renewable Fuel Standard (RFS) compliance credits – RINs – have fluctuated wildly over the last several years; making hundreds or thousands percentage swings in a week on some occasions. None of these swings have had any relationship – either positive or negative – to the amount of biofuel blended into the fuel supply, however, skyrocketing RIN prices have previously put refining jobs at risk. The lack of any relationship between RIN prices and biofuel blending proves that there is something significantly wrong with the market. The EPA's proposal aimed at controlling excessive speculation and likely manipulation in the RIN market takes a first step at addressing this problem.

A look back on the last year proves the EPA can help prevent RIN price spikes without adversely impacting biofuel consumption. A combination of RFS reform discussions and small refiner exemptions (SREs) resulted in RIN prices decreasing from 90 cents in November of 2017 to approximately 9 cents towards the end of last year. Despite these factors, U.S. Energy Information Administration (EIA) data and extensive academic research shows there has been NO backtracking on biofuel blending. In fact, academic

research and available data also indicates that sales of fuels with higher concentrations of ethanol – such as E15 and E85 – *increased significantly* last year.

These facts show EPA can take actions to reign in the extremely volatile RIN market without adversely impacting the biofuel sector. They also show failure to reign in these risks threatening refining jobs. In Toledo, the Toledo Refining Company is an economic driver for the Midwest. It provides 15 percent of the entire state's fuel and contributes 5.2 billion dollars in total direct and indirect economic benefit to Northwest Ohio. In the high RIN price environment of 2016 and 2017, RINs became the refinery's most significant operating expense, rising above pay, benefits and energy costs. Returning to such a financial environment would be unsustainable and certainly threaten jobs in the region.

RIN market reforms alone will not address the problem associated with mandating overly aggressive biofuel volumes. However, the right market reforms will help level the playing field among obligated parties, while somewhat helping to contain costs and limiting the potential for harmful manipulation. In pursuit of these objectives, the EPA should advance the following reforms in its final rule:

- Limit the amount of RINs a company can hold to 120 percent of its RIN obligation, enforced quarterly. Simply disclosing entities in this category is not good enough. An actual position limit will prevent RIN long integrated refiners from hoarding RINs at the expense of merchant refiners.
- Limit the ability to purchase separated RINs to only obligated parties, but only if combined with the position limit. Failing to marry the two concepts could allow integrated refiners that generate more RINs than they need for compliance to hoard credits.
- Require non-obligated parties that generate RINs to sell them within a quarter. This reform will enhance liquidity and help guard against unnatural price spikes.
- Apply the RIN reforms to all RINs (e.g. biodiesel, cellulosic, etc.), not just ethanol RINs. For example, there are very few entities that offer cellulosic - or "D3" – RINs for sale. Given the lack of liquidity, imposing a position limit will guard against entities in this illiquid market from gaining too much market power.

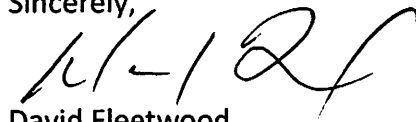
If EPA finalizes a framework like the one outlined above, there will be no need to advance more complicated options, such as quarterly RFS compliance requirement for obligated parties. Forcing quarterly compliance could limit flexibility for obligated parties and, as even EPA recognizes in the proposal, adds complexities associated with SREs, seasonality of RIN generation and deference allowance, to name just a few issues.

RIN market reforms are long overdue. Even biofuel interests have questioned the extreme volatility of the RIN market. Additionally, public comments EPA received in the

annual Renewable Volume Obligation (RVO) rulemakings over the last two years detailed several observations of possible market manipulation that are illegal in other contexts, but not controlled or regulated in the RIN market. Given these realities, we applaud EPA for considering RIN market reforms that, if done correctly, will take significant strides towards preventing anti-consumer manipulative practices that could threaten refining jobs and the integrity of the RFS in general.

Failure to advance effective RIN market reforms could exacerbate the risk of the skyrocketing RIN prices we saw in the past. In addition, the previously mentioned unsustainable costs the Toledo Refinery faced in such an environment in addition to runaway RIN prices, also contributed to the Philadelphia Energy Solutions (PES) bankruptcy. Our nation cannot afford to revert to a situation that once again puts at risk important manufacturing jobs in Philadelphia, Toledo and across the nation.

Sincerely,

A handwritten signature in black ink, appearing to read 'DF', written over a horizontal line.

David Fleetwood

Business Manager

LIUNA - Laborers Local 500