

STATEMENT ON BEHALF OF MONROE ENERGY, LLC
AT THE PUBLIC HEARING ON
EPA'S PROPOSED RFS REQUIREMENTS FOR
2018 Docket ID No. EPA-HQ-OAR-2017-0091
Washington, D.C.
August 1, 2017

Thank you for the opportunity to testify. I am Steve Shimberg and I am appearing before you on behalf of Monroe Energy, a subsidiary of Delta Air Lines.

Introduction:

Monroe operates a single refinery in Trainer, Pennsylvania which has a capacity of 185,000 barrels per day. The refinery had been shut down when Monroe bought it from Phillips 66 in June 2012 for \$150 million. An additional \$150 million was invested by Monroe to perform major repairs and make improvements prior to re-starting operations in September 2012. Because of Monroe's investment, the refinery now supports nearly 500 direct refining jobs and thousands of indirect jobs in the region.

Monroe Energy is a merchant refiner and an obligated party under EPA's RFS program. Unlike large integrated refiners, merchant refiners are not able to blend the mandated volumes of renewable fuels. Monroe does not produce or sell finished motor fuels. It delivers virtually all of its fuel blendstocks to pipelines and marine vessels. Because ethanol is corrosive, it cannot be blended into fuel blendstocks before the blendstock is placed in a pipeline or a vessel. It must be blended at the storage terminal where the fuel is loaded onto a fuel tank truck for delivery to retail locations. Monroe relinquishes control of almost all of the fuel it produces before any blending can take place. As a result, Monroe must purchase RINs to meet its RFS compliance obligations.

In 2012, a D6 ethanol RIN cost less than five cents and RFS compliance costs were manageable. Today, that same RIN costs more than eighty cents. At these prices, Monroe has to spend more on RINs each year than it spent to buy the refinery in 2012. We are spending more on RINs than any expense item other than crude oil.

The RFS program in its current form is already causing at least one merchant refiner in our region to lay off workers and defer benefits. It is also forcing several merchant refiners to divert capital from maintenance, improvements and expansion to cover the costs of RINs. Simply put, these RFS costs are unsustainable.

When the RFS Program was created and EPA decided to make refiners the obligated party instead of blenders, the refining industry looked very different –

- There were more integrated refiners who also did fuel blending and distribution;
- There was growing gasoline use; and
- For the first few years, there were excess RINs because the industry's use of renewable fuel exceeded the mandate.

The program that worked under those conditions is no longer working under today's conditions.

Summary of Comments:

In our formal written comments for the record that are due on August 31, we will provide a more detailed analysis of the proposed rule and suggestions on how to improve the program. We will also address relevant issues from the Court of Appeals decision that was issued on Friday.

For today, I would like to make four points:

First, we recognize and appreciate the willingness of Administrator Pruitt and the Trump Administration to take a fresh look and approach to this program. We are encouraged by several of the points, observations and questions that are in the proposed rule.

Second, despite the slight reduction in the proposed mandated volumes, the proposed volumes are still too high. Despite EPA's proposal to lower volumes, RIN prices did not come down. Prices stayed too high after the proposal and prices have climbed even higher since the Court decision last week.

Third, the most important and effective change EPA can make to the RIN market is to adjust the definition of "obligated party" to align the point of obligation with the point of compliance. Other market changes, such as increasing transparency, may sound good but they will have minimal, if any, effect and they won't solve the structural problem that plagues the RIN market.

Fourth, you will be hearing later today from representatives of various refinery workers and unions, including the United Steelworkers. The livelihood of these men and women depend on fixing this broken program. We urge you to take special note of their testimony.

The Proposed Volumes Are Too High:

We appreciate EPA's recognition that E0 is being used at volumes significantly higher than the Agency has assumed in prior years. However, the Agency is still underestimating E0 by a significant amount. EPA's estimate of 500 million gallons is still 4.8 *billion* gallons less than EIA's estimate.

Significantly underestimating E0 use results in overstating, by hundreds of millions of gallons, the amount of ethanol used in E10. This error leads to inflated RVOs which lead to inflated RIN prices.

Conclusion:

As EPA has noted in the past, consumers are not seeing the benefits of inflated RIN prices. What we are seeing is simply a transfer of money from merchant refiners to blenders, including large retail chains. High RIN prices are not promoting the goals of the program. They are, however, wasteful, inefficient and harmful to merchant refiners, our employees, and small retailers.

Thank you for the opportunity to be here today.