DELAWARE COUNTY AFL-CIO COUNCIL

September 7, 2019

President Donald J. Trump
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear President Trump:

On behalf of the 18,000 members of the Delaware County Labor Council, I'm writing to express concern regarding recent press reports which could threaten the manufacturing jobs you promised to protect.

Our Labor Council supported your Administration's recent actions to grant Small Refinery Exemptions (SREs) under the Renewable Fuel Standard (RFS), without increasing the mandate for other refiners.

However, reports indicate that you are considering significantly increasing RFS volume requirements. To date, granting an ample amount of SREs *without* mandating more biofuel has proven to be a critical tool in controlling the cost of Renewable Identification Numbers (RINs) credits. Additionally, this policy has lowered costs without impacting biofuel demand at all. Just recently, an EPA spokesperson released a statement confirming this: "There is zero evidence that EPA's congressionally mandated small refinery exemption program...has had any negative impact on domestic corn ethanol producers."

As you know, excessive RIN costs previously contributed to the bankruptcy of a Philadelphia refinery and put other small and merchant refiners at risk. Increasing the RFS requirement will once again put refining jobs in Pennsylvania and across the country in jeopardy, while only benefitting foreign biodiesel producers. This does nothing to help American agriculture.

We understand your desire to address the needs of America's farmers and you recently did so by granting the biofuel industry its largest ask in the last several decades: year-round E15. However, granting E15 came without any other full time RIN cost containment mechanism, despite talks with multiple stakeholders over the last year.

DELAWARE COUNTY AFL-CIO COUNCIL

The issuance of numerous SREs, as the Administration is required to do by law and a fact that has now been verified via several court decisions – has acted to ensure a robust RIN supply, keeping their costs in check. In fact, RIN prices dropped from nearly 90 cents in November of 2018 to 9 cents at the end of last year. Since most small refiners cannot blend the majority of their own fuel, and ethanol is cheaper than gasoline, this drop in RINs occurred without ANY backsliding in biofuel consumption.

U.S. Energy Information Administration (EIA) data proves that despite lower RIN prices and SREs, the average ethanol blend rate through May of 2019 (the month for which we have the most recent data) is 10.2 percent, compared to 10.03 percent during the same period in 2018. In fact, this year we saw two months with some of the highest blend rates ever. Additionally, domestic biodiesel production and consumption is up year-on-year. These facts prove SREs have had no negative impact on consumption of American biofuel. Even agricultural economists have verified this reality.

Additionally, the lack of any impact on biofuel consumption proves that calls to "reallocate" volumes associated with SREs are a red herring. Since the same amount of biofuel was blended regardless of the SREs, if not more, "reallocation" only means an even higher volume mandate. This would be borne on the backs of merchant refiners like those in the Philadelphia region that do not qualify for SREs, but are still beholden to the RIN market due to their inability to fully meet all of the blending requirements under the RFS.

It is clear that granting SREs had no negative impact on American ethanol producers or farmers. In fact, historically, aggressive RFS volume requirements have only resulted in increased imports of foreign biodiesel for compliance. EIA and Environmental Protection Agency (EPA) data show refiners relied on anywhere from 700 million to one billion gallons of foreign fuel to meet the RFS in each of the last three years. This result does not reflect an America First energy policy.

Increasing the RFS volume requirements will not result in appreciably more American biofuel use, but such action will send RINs prices up again. The mere rumors of such potential changes has sent ethanol RIN prices up over 45 percent in the last few weeks alone, with biodiesel RINs increasing about 25 percent in that time.

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In light of these realities, we urge you to maintain the policy of granting necessary SREs as required by law – *without ANY increases in the biofuel volume requirements.* Additionally, we ask that you direct your EPA to cap the price of RINs to ten cents in order to contain the compliance costs of the RFS. This action will not only benefit the workers employed at our refineries, but also the thousands of indirect jobs - the local pizza shops, the pipe suppliers, the skilled crafts, and so many more that depend on refineries remaining open to support their families.

Mr. President, thank you for your time and consideration.

Sincerely,

George Piasecki III