

February 3, 2022

Dear Administrator Regan,

It is out of great concern for our regional economy, local jobs, and our nation's energy and national security that I am submitting these comments pertaining to "Renewable Fuel Standard ("RFS") Program: RFS Annual Rules," Docket ID No. EPA-HQ-OAR-2021-0324.

As a graduate of the U.S. Naval Academy with more than seven years on active duty and two deployments overseas, I know first-hand the importance of a secure domestic supply chain. I've spent time in other nations that struggle because of gaps in their supply chains. When they look at the United States, they are amazed at our nation's ingenuity and the complex systems we have put in place. When things go awry with them, action is required. Such is the case with the RFS.

According to your agency's website, "Congress created the renewable fuel standard (RFS) program to reduce greenhouse gas emissions and expand the nation's renewable fuels sector while reducing reliance on imported oil." Unfortunately the RFS is not operating as designed nor delivering as intended. In failing to act to fix the program, the EPA has effectively been picking winners and losers.

The winners in this case are Wall Street traders and multinational oil conglomerates that have figured out how to commoditize the trading of RFS compliance credits, known as RINs. This commoditization has resulted in RINs prices currently trading well above \$1.00; last year they reached their highest point ever, topping out at nearly \$2.00. The Congressional architects of the program, along with those at the EPA who designed the RINs program structure, never envisioned anything like this; they anticipated plentiful RINs pricing at only a few cents each, which was the case for many years.

Consider that at today's prices, refiners are now spending hundreds of millions of dollars on compliance costs – which is money they are not reinvesting in their facilities nor using to support the growth of high-skill, good-paying jobs.

Unfortunately, the parties on the losing side are far more numerous. Farmers and ethanol producers don't benefit from high RIN prices. Neither make more money in such a scenario, and data shows that high RIN prices have not expanded renewable fuel production or blending rates.

The biggest losers of all under the current RFS are independent refiners, who face enormous costs in complying with the program. Pennsylvania's Monroe Energy, who operates a refinery located in Delaware County, for example, has said that at current prices, the cost to comply for a single year would exceed the purchase price of their entire company. In other cases, refiners have cited RFS compliance costs as the primary driver leading them to declare bankruptcy or shut down facilities. We need to be honest when evaluating whether or not these consequences are what Congress intended. Clearly, they are not.

Energy security is a vital component of our national security. This idea is reinforced in the Department of Energy's ("DOE") own mission statement which includes, "...to ensure America's security and prosperity by addressing its energy, environmental and nuclear challenges through transformative science and technology solutions." The critical importance of regional refineries has become more pronounced due to the closure of many of them in the Delaware Valley. The matter was laid bare when the Colonial Pipeline was shut down last year. It only took a matter of days for fuel shortages and price spikes to spread throughout the American Southeast, extending as far north as Maryland. While the Colonial Pipeline supplies a significant portion of the fuel we consume in the Northeast, Southeast Pennsylvania avoided this chaos largely because we still have a handful of refineries in our region producing the fuels we rely on every day. This incident was a glaring example of the importance of diversity in regional fuel production to our nation's economy, quality of life and national security.

Additionally, for generations, our region's independent refineries have provided life-changing opportunities for countless families. Tens of thousands are employed by independent refiners and many more are involved with other activities and organizations that support them like the Philadelphia Steamfitters Union and other building trades. We know that the job multiplier effect for this industry in particular is one of the highest in the country.

With all of this in mind, it is incumbent upon the EPA to fix the RFS before it is too late for our independent refiners and the tens of thousands of people they support. These include the following short-term and long-term actions.

In the short-term, the EPA should:

A. Reduce the proposed RFS Volumes by at least 1.5 billion gallons

The EPA acknowledges that a healthy carryover RIN bank is critical to controlling RIN costs, however only 1.85 billion in carryover RINs are projected as being available - a historically low level. This will drive up the cost of RFS compliance and harm independent refiners, their workers, and consumers. The EPA should lower the implied conventional volume to projected ethanol use, which can be accomplished by either lowering the 2022 volumes, lowering the 2020 and 2021 volumes, or through a combination of both steps.

B. Increase the volume of advanced biofuel, while proportionally reducing the ethanol portion, thus maintaining overall volumes.

The EPA could address the problem by lowering the conventional biofuel volume and raising the advanced biofuel requirement. This would lower greenhouse gas emissions and provide energy security and economic benefits.

In the longer term, the EPA should consider solutions such as reassigning the point of obligation away from refiners to parties who actually control the vast majority of blending. Making this simple change would encourage more blending of renewables into our transportation fuels, benefiting our nation's farmers and biofuel producers. The EPA should also consider

establishing a system whereby obligated parties can purchase fixed, low-price RINs directly from the EPA for the ethanol requirement if they are not able to obtain cost-effective RINs in the market. This is similar to what the EPA already does for cellulosic biofuel and could generate revenue to assist with the marketing of biofuels.

The lingering pandemic has illustrated the importance of maintaining a healthy domestic supply chain critical to making everyday life possible. This is especially so with respect to reliable access to transportation fuels and home heating oil. A more balanced approach to the RFS will support farmers and ethanol producers while allowing independent refiners to proactively invest in their facilities and workforce.

Depending on foreign sources of transportation fuels is not in the best interests of our national security. In order to produce the fuels we rely on today and to provide a bridge to the cleaner fuels of the future, we must support our domestic, independent refineries and prevent them from closing. The best way to accomplish these goals is to fix the proposed RFS volumes now and continue to make long-term structural changes to the program. Doing so would create a true "win-win" solution for everyone.

Sincerely,

A handwritten signature in black ink, appearing to read "David Galluch", written in a cursive style.

David Galluch
Newtown Square, Pennsylvania