New Jersey Business & Industry Association

NJBIA

June 22, 2021

The Honorable Michael Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator Regan:

The New Jersey Business & Industry is the nation's largest statewide business association whose member companies employ around one million people in the state of New Jersey. Our members range from the largest Fortune 100 companies to the smallest mom and pop Main Street businesses. Our members rely on an affordable and reliable supply of energy to do their business and thus we have a direct interest in reforming the RFS and RIN programs.

There is a pressing need for the Agency to act swiftly in granting petitions that several governors submitted to partially waive the federal Renewable Fuel Standard (RFS) volume mandate in order to prevent severe economic harm throughout the nation, and in the Northeast and MidAtlantic regions in particular. We also urge you to propose a 2021 and 2022 RFS standard that ensures that the cost of RFS compliance credits, otherwise known as Renewable Identification Numbers (RINs), remains in check to help protect refineries as well as the businesses that use the energy produced.

These actions are urgently needed to reduce the skyrocketing cost of RINs. Granting the waiver requests and setting a reasonable standard moving forward is necessary to protect manufacturing jobs in New Jersey. Wildly volatile and often excessive RIN prices have impacted capital investments in these facilities and they have even contributed to at least one regional refinery bankruptcy in the recent past. The current run up in RIN prices is once again putting domestically produced fuel supplies in jeopardy. The massive fuel demand decreases attributable to the COVID-19 epidemic devastated American refiners last year, forcing many to take unprecedented measures. Eight refineries responsible for nearly a million barrels per day of refining capacity permanently closed or announced closure.

As refiners struggled to stay afloat among slumping demand and massive financial losses because of the pandemic, RIN prices skyrocketed – climbing from under ten cents at one point last year to over one dollar and thirty recently – a greater than 1500% increase. It is important to note that runaway RIN prices did nothing to increase the percentage of biofuels blended into the nation's fuel supply, which U.S. Energy Information Administration data notes remained relatively unchanged in 2020 from 2019 levels. If RIN costs do not subside substantially soon, there is the very real possibility that another million barrels per day of refining capacity will be put at risk and will not come back online. This is concerning at any time, but it's even more so now as we continue to claw our way back from the depths of the pandemic.

Our country's demand for gasoline, diesel and jet fuel continues to grow, and it's needed to propel our economy through the recovery and beyond. If domestic refining capacity continues to decrease because of facility closures while the need for transportation fuels remains, the demand will have to be met with fuel imports from overseas; produced at refineries not adhering to the United States' rigorous environmental standards.

The previous Administration set last year's volume obligation well above the amount of biofuels that could possibly be blended into the fuel supply given economic conditions, as well as vehicle and infrastructure constraints. As a result, while the percentage of biofuels blended into the fuel supply last year remained essentially unchanged from the previous year, it fell 800 million gallons short of the overly aggressive requirement that was established. This shortfall cannot be made up either retroactively or this year, when fuel demand is up compared to last year (but still short of 2019 levels).

We write today urging immediate action necessary to prevent RIN prices from becoming the straw that breaks the back of refiners in crisis. We urge you to grant the waiver requests and set reasonable RFS standards moving forward to protect the businesses and employees who rely on a stable energy system.

Sincerely,

Michele N. Siekerka, Esq.
President and CEO