PA Chamber of Business and Industry

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

Feb. 3, 2022

RE: **"Renewable Fuel Standard ("RFS") Program: RFS Annual Rules,"**
Docket ID No. EPA-HQ-OAR-2021-0324

Dear Administrator Regan:

On behalf of the more than 9,000 members of the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth, I'm writing to urge that the Renewable Fuel Standard (RFS) proposed volumes need be changed in the final rule to actually reflect market realities. Such action includes both short-term and long-term fixes such as lowering the proposed RFS volumes for 2022 by at least 1.5 billion gallons, lowering the volumes for 2020 and 2021, and also enacting regulatory policies that we've previously described, including establishing ceilings on unreasonably burdensome Renewable Identification Number (RIN) credit prices.

As it stands today, the RFS is not operating in a manner that is consistent with Congress's intent, and this is resulting in severe economic harm being inflicted upon independent refiners across the county – including the last remaining refineries in the Northeast. Without action soon, these refineries face an uncertain future, the impacts of which will reverberate far and wide, threatening tens of thousands of jobs. As last year's disruptions to the Colonial Pipeline showed, we have a fragile energy infrastructure network, one that countless Americans rely on. It's evident that there is strong demand for oil and gas in our society and that any further loss of refining infrastructure, especially in the Northeast, will result in a significant part of the United States population being in a precarious position with respect to fuel security.

The RFS, established in 2005 as part of the Energy Policy Act, was well intentioned – to reduce the country's dependence on foreign oil by increasing our usage of domestic resources. However, the RFS has become twisted beyond recognition, as parties that are not involved in fuel production or farming and have found ways to exploit the program to their benefit.

The costs to refiners to comply with the RFS have reached record highs recently and threatens the existence of these vital facilities. The pandemic has only exacerbated the significant financial pressures that independent refiners are facing. Numerous elected officials in our region have attempted to address the severe economic harm the RFS has created, including:

- All six senators, and nearly every member of congress from Pennsylvania, New Jersey and Delaware have sent letters into your agency urging for reform
- A bipartisan group of six governors, including Pennsylvania Governor Tom Wolf, submitted petitions to the EPA requesting waivers from RFS volume mandates due to the severe economic

harm being inflicted upn their states and regions by high RIN prices (and later, by the unprecedented levels of demand destruction resulting from COVID-19)
- In addition, both houses in each of the state legislatures in Pennsylvania and New Jersey have passed resolutions either unanimously or nearly-unanimously calling on the EPA to fix the RFS

In Pennsylvania, Monroe Energy's refinery has created and supports thousands of good paying, family sustaining jobs not only in the tristate region, but across America. We know this because a 2012 study by the Pennsylvania Department of Labor and Industry was commissioned following the closure of three refineries the year before. This study found the following:

> *The employment multiplier for these layoffs in southeastern Pennsylvania is substantial. An estimated 18.3 jobs will be lost for each layoff. The employment multipliers in this industry for the state and the nation are 22 jobs and 61 jobs, respectively. In comparison, Iron and Steel Foundries, which has a significant economic tie to several industries, only has a multiplier of 6.5 jobs for Pennsylvania and 12 jobs for the nation.*

Monroe Energy provides significant economic benefits, which reverberate throughout the region, including to blue-collar workers in the skilled trades. The excessively high cost of RIN credits which Monroe and other independent refiners need to maintain RFS compliance threatens this economic vitality. Such costs divert capital from being invested into these facilities and local economies and as such have created an existential threat. It is worth noting that at the same time, these expenditures have done very little to create actual benefits for the environment, as noted by The National Wildlife Federation and others, or to help expand renewable fuel production.

Refiners like Monroe Energy, who have repeatedly expressed their strong desire to implement technologies to make the greener fuels of tomorrow, may never get the chance to do so because the RFS compliance costs are too high. Since Monroe's inception in 2012, their costs to comply with the RFS have ballooned uncontrollably, easily exceeding $800 million dollars. This wasn't money invested into their facilities, or to the benefit of farmers or ethanol producers, but in many cases it went to parties who have found a way to commoditize the RIN market. This financial pressure is not isolated to Monroe Energy; other refiners in the region such as PBF Energy are experiencing it as well.

The EPA can take steps now to alleviate the tremendous pressure that independent refiners are experiencing by making revisions to the proposed RFS volume requirements. The simplest way to realize short-term relief in the RIN market is for the EPA to reduce the 2022 ethanol volumes or reduce the 2020 and 2021 volumes, or through a combination of both in order to achieve a total reduction of at least 1.5 billion gallons. Taking these actions would create more liquidity in the RIN market, which is something that is desperately needed, especially as the pandemic continues to suppress fuel demand.

If EPA remains committed to maintaining its 2022 total renewable fuel volume requirement, despite the acknowledged difficulties in achieving the volumes, it could lower the conventional biofuel volume and simultaneously raise the advanced biofuel requirement by the same amount – at least 1.5 billion gallons. This would lead to energy security, economic and environmental benefits, including lowering overall GHG emissions.

It's important to note that the solutions mentioned above will provide only short term relief for refiners suffering from the uncontrollable costs of RINs. Taking these necessary steps will provide additional time for refiners while the Agency considers more permanent structural changes to the RFS to get the program back on track. These solutions could include implementing a backstop or ceiling price for RIN credits, and changing the point of obligation to the blenders and away from refiners. Changing the point of obligation would align blending more closely with the parties who actually control the vast majority of blending, while also encouraging additional blending going forward.

This is a critical issue, and we are dangerously close to a tipping point. Without a change to the program's current structure, the goals of the program will not be met, and our national and energy security along with tens of thousands of good paying jobs will be at risk. I urge EPA to take swift action beginning with modifications to the proposed RFS volumes, before it is too late. The economic livelihoods of thousands of people employed by businesses in our region are depending on it. Thank you for your consideration.

Sincerely,

Gene Barr
President and CEO
Pennsylvania Chamber of Business and Industry