

Subject:

Renewable Fuel Standard (“RFS”) Program: RFS Annual Rules

Docket ID:

No. EPA-HQ-OAR-2021-0324

As members of the Pennsylvania House of Representatives, we are submitting these comments into the above-mentioned docket. We specifically wish to express our grave concerns regarding the recently-proposed RFS volumes for 2020 through 2022. We urge the EPA to make revisions to the proposed volumes that will result in short-term relief for refiners who continue to suffer significant economic harm due to the high cost of RFS compliance credits known as Renewable Identification Numbers or RINs.

The RFS is currently not functioning as Congress intended, and independent refiners, including those in our region, are seeking reasonable solutions that will ensure the continued use of domestic biofuels without putting refineries at risk of closing. This is especially important because our regional refineries are poised to play a significant role in the production of the greener fuels of tomorrow, further lowering GHG emissions across the transportation sector - something that President Biden has expressed is a priority for his Administration.

The greatest challenge right now is the wild volatility in the market related to the cost of RINs. Reduced demand for oil and gas due to COVID, coupled with actions taken in the previous administration, have essentially ensured that this volatility persists, making it extremely difficult for independent refiners to not only remain in business today, but to afford the investments needed to produce the greener fuels of tomorrow - investments which also create new, high-quality jobs.

The market price for a corn ethanol RIN last year surpassed an all-time high. For context, in May of 2020, the price of an ethanol RIN was 36 cents, and in June of 2021, it reached a record high of \$1.98. To put this into perspective, in early 2013, an ethanol RIN cost less than 5 cents - that’s an increase of 3800%. At these prices, the cost for our region’s refineries to comply with the RFS eclipses their total costs of salaries, benefits, and capital improvements combined.

Inaction by EPA in the short term to revise the proposed volumes would have a ripple effect across our state and beyond. According to a study performed by the Commonwealth of Pennsylvania, each refining job in southeastern Pennsylvania has a large multiplier effect on the economy, supporting an estimated 18.3 jobs in southeastern Pennsylvania, and 22 jobs statewide and 61 across the nation.

Inaction could also create a national security threat: If U.S. refineries continue to close, Pennsylvania and the rest of the country would become ever more reliant on foreign petroleum and cybersecurity threats on pipelines. Ironically, this increased dependence on foreign energy sources is EXACTLY what the RFS was intended to help avoid.

For all of these reasons, we worked last fall to help pass PA House Resolution 148 (“HR 148”), calling on the EPA to take meaningful steps to address this urgent issue. We were heartened to

see HR 148 pass the House by a vote of 193-7, demonstrating the overwhelming bipartisan support for this issue. Prior to the passage of the House resolution, the PA Senate passed a comparable resolution with near unanimous support (47-3), and both chambers of the New Jersey legislature unanimously passed similar resolutions. Given the state of politics in the United States, it's extremely rare to see this sort of bipartisan support for an issue. But it indicates precisely how important the issue actually is and how so many businesses, workers, and families will be seriously impacted if something meaningful is not done soon.

In the short term, we urge the EPA to make the following modifications to the proposed volumes:

A. Reduce blending volume requirements:

- a. This can be accomplished in two ways:
 - i. Reduce the 2022 volume targets by at least 1.5 billion gallons, or
 - ii. Reduce the 2020 and 2021 volume targets by the same amount
- b. This will create much-needed liquidity in the RIN market and drive down the cost of compliance for refiners without hindering the overall goals or effectiveness of the program.

B. Alter the 2022 blending volumes by increasing the advanced biofuel portion of the standard and lowering the ethanol portion of the standard, without lowering overall volumes.

- a. This would alleviate many of the barriers that exist with blending of ethanol, while actually advancing EPA's goals under the RFS with respect to greenhouse gas reduction.

As we stated in HR 148, EPA must also act quickly to implement long-term permanent reforms which provide cost containment and stability for refiners, while allowing for blending of renewable fuels as originally envisioned by Congress. The most appropriate way to do this is by shifting the point of obligation away from refiners and onto blenders, as the blenders are the parties who are largely responsible for controlling blending in the first place.

We appreciate the opportunity to share our views on this matter. We hope that EPA will take steps to achieve meaningful reform, before it is too late for independent refiners in our region and beyond.

Sincerely,

Kerry
Benninghoff,
House Majority
Leader - PA - HD
171

Martina White, House
Majority Caucus Secretary
PA - HD 170

Joshua Kail, State
Representative
PA - HD 15