

January 31, 2022

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

RE: Docket ID No. EPA-HQ-OAR-2021-0324

Dear Administrator Regan:

The South Jersey Chamber of Commerce (the Chamber) submits these comment in regards to the United States Environmental Protection Agency's (EPA or the Agency) proposed rule, Renewable Fuel Standard (RFS) Program: RFS Annual Rules, Docket No. EPA-HQ-OAR-2021-0324, 86 Fed. Reg. 72,436 (Dec. 21, 2021) (the Proposal).

While the Chamber appreciates EPA's proposed decision to revise the 2020 standards and set a reasonable 2021 standard, the proposed 2022 conventional biofuel (e.g. ethanol) requirement puts thousands of direct union and non-union jobs and tens of thousands of indirect ones at risk.

The RFS is well-intentioned because it strives to incorporate more renewable fuels like ethanol into our domestic fuel supply and create more energy independence from foreign countries. It began with 8 billion gallons of renewable fuel in 2005, and aims to reach 36 billion gallons in 2022.

There's just one problem: It isn't working as intended, and it's putting the future of our few remaining East Coast refineries in jeopardy due to skyrocketing costs to meet the RFS mandate. That's troubling because we only have four large refineries left on the East Coast. Just 14 years ago, there were a dozen.

The RFS has made it impossible for many refineries to meet the mandate for one simple reason: They effectively cannot blend the required volumes of ethanol themselves, making them powerless but still liable for compliance. Ethanol cannot be shipped in a pipeline, so the only place the blending can happen is just before a hauler leaves a wholesale fuel terminal to deliver gasoline to retail gas stations.

Additionally, the overwhelming majority of America's refueling infrastructure and automobile engines were not built to run on fuel containing more than 10 percent ethanol. This 10 percent limit is referred to as the "blendwall." Despite this reality, EPA is proposing to set a conventional biofuel (e.g. ethanol) requirement that exceeds the blendwall, threatening the availability of RFS compliance credits – Renewable Identification Numbers or RINs – and keeping their price at unsustainable levels.

Refiners are being forced to spend hundreds of millions of dollars every year purchasing RINs, because RIN supply from ethanol blending cannot functionally meet the excessive demand for the credits that the RVO necessitates. This issue became extremely acute over the past two years, as the cost of the credits has ballooned from only a few cents to nearly \$2 at one point. They remain over \$1 today.

Absent a reasonable RVO for 2022, refineries will only be able to last for so long because they're spending more on these credits than all other operational costs combined.

Let us be clear: Any closure of refineries could be devastating to our local communities at such a delicate time when we're beginning to emerge from the pandemic recession. Our organizations represent well over 2,000 businesses in southern New Jersey, as well as greater Philadelphia and northern Delaware.



Of those, about 85 percent are small businesses that employ less than 100 people and many provide goods and services to the regional refineries. From pipe manufacturers to mechanical services providers to local restaurants and more, the volume of indirect jobs needed to support these operations is enormous. Many of these jobs are the family-sustaining, blue-collar jobs for which President Joe Biden advocates.

Businesses depend on having reliable access to fuel to propel their operations. Imagine what the impacts would have been if the remaining refineries in our region, PBF Energy, Monroe Energy and Phillips 66 closed and were unable to produce fuel for the business community at this critical time.

Within the past decade, the Northeast has lost 1.5 million barrels per day – or roughly 70 percent – of its refining capacity, making South Jersey more dependent than it should be on imported fuel from foreign countries.

The ability to have reliable fuel production capabilities in different regions of the United States is a matter of national and energy security, and as we transition to a greener fuel economy, our region's refineries are poised to take a leading role. They're committed to greener energy and are prepared to make significant capital investments that will be a major boon for businesses in New Jersey, but they cannot do that if they continue to exhaust most of their resources on unnecessarily and astronomically priced RINs.

The EPA's RVO proposal for 2022 in particular is troubling on numerous fronts. Estimates show that consumers will buy about 138 billion gallons of gasoline this year. With this projection in mind, the maximum amount of ethanol that can be likely blended into the fuel supply given the 10 percent limitation is 13.8 billion gallons. This is 1.2 billion gallons lower than the 15 billion gallon ethanol requirement the EPA is proposing for 2022.

The EPA's own proposal actually acknowledges doubt over whether the ethanol requirement can be met via ethanol consumption. In addition, RIN price history over the last couple of years show there is no correlation between RIN prices and the amount of ethanol consumed. To solve this problem, it's clear the EPA must lower the 2022 convention biofuel portion of the RFS RVO to 13.5 billion gallons, which more accurately reflects the amount of ethanol that can be physically consumed next year. A 13.5 billion gallon RVO is even slightly conservative to ensure the standard doesn't create RIN scarcity if fuel demand projections don't end up matching reality.

The refineries in our region are in a crisis, and the time for action is running out.

Sincerely,

Christina M. Renna
President and CEO
Chamber of Commerce Southern New Jersey.