



**Subcommittee on Energy and Air Quality  
of the Committee on Energy and Commerce  
United States House of Representatives**

**Hearing on**

**The Renewable Fuels Standard: Issues, Implementation, and Opportunities**

**Testimony of**

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**May 6, 2008**

Good morning Chairman Boucher, Ranking Member Upton, and Members of the Subcommittee. My name is Bob Dinneen and I am president and CEO of the Renewable Fuels Association (RFA), the national trade association representing the U.S. ethanol industry. I am pleased to be here this morning to discuss the positive impacts ethanol and other renewable fuels are having on our economy and environment, and the role of the Renewable Fuels Standard (RFS) in realizing those benefits.

The RFS was first established by the Energy Policy Act of 2005. The passage of this bill was an important step towards this country's energy independence, as well as providing economic and environmental benefits. By expanding the RFS, the Energy Independence and Security Act of 2007 ("2007 Energy Act") capitalizes on the substantial benefits that renewable

fuels offer to reduce foreign oil dependence and greenhouse gas emissions and to provide meaningful economic opportunity across this country.

## **Background**

Today's ethanol industry consists of 147 ethanol plants nationwide that have the capacity to turn more than 2 billion bushels of grain into 8.5 billion gallons of high octane, clean burning motor fuel, and more than 14 million metric tons of livestock and poultry feed. There are currently 55 ethanol plants under construction and 6 plants undergoing expansions. It is a dynamic and growing industry that is revitalizing rural America, reducing emissions in our nation's cities, and lowering our dependence on imported petroleum. America's domestic ethanol producers are providing significant economic, environmental and energy security benefits today.

In an overall environment of slowing economic growth, the U.S. ethanol industry stands out in sharp contrast. According to a report by economist John Urbanchuk of LECG, LLC, dated February 20, 2008, the American ethanol industry is a job creating engine. The increase in economic activity resulting from ongoing production and construction of new ethanol capacity supported the creation of 238,541 jobs in all sectors of the economy during 2007. These include more than 46,000 additional jobs in America's manufacturing sector -- American jobs making ethanol from grain produced by American farmers.

Ethanol is also helping to stem the tide of global warming, today. The use of low carbon fuels like ethanol is reducing greenhouse gas emissions from the more than 200 million cars on American roads. The 9 billion gallons of ethanol we will produce in 2008 will reduce

greenhouse gas emissions by more than 14 million tons, or the equivalent of taking 2.5 million vehicles off the road.<sup>1</sup> These benefits will only increase as new technologies, new feedstocks and new markets for renewable fuels are created.

### **Renewable Fuels Standard – Promoting Investment in Cleaner Alternatives to Fossil Fuels**

The RFS provides meaningful incentives for investment in the production and infrastructure for biofuels in the U.S. to reduce this country's use of fossil fuels. By expanding the RFS, requiring that 36 billion gallons of renewable fuel be used annually by 2022, the 2007 Energy Act represents a significant moment in history when America chose a new energy policy path. The path includes reducing this country's dependence on fossil fuels in favor of renewable fuels that are better for the environment. An analysis conducted for the RFA using the U.S. Department of Energy's (DOE) existing GREET model shows that increasing the use of ethanol and other renewable fuels to 36 billion gallons annually by 2022 could reduce greenhouse gas emissions by some 176 million metric tons, equal to removing the annual emissions of more than 27 million cars from the road.<sup>2</sup>

Although some critics recently attempted to discount the benefits regarding greenhouse gas emission reduction that can be achieved through increased use of renewable fuels, the support for these claims are based on a questionable analysis of alleged international land use changes. Michael Wang with the Argonne National Laboratory and Zia Haq with the DOE, among others, have explained some of the many problems with this analysis, noting that they had found no indication that U.S. corn ethanol production has so far caused indirect land use changes

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<sup>1</sup> Air Improvement Resources, Inc., Feb. 2008.

<sup>2</sup> *Id.*

in other countries.<sup>3</sup> While more work needs to be done to understand the varying factors that may play a role in international land use changes, “conclusions regarding the GHG emissions effects of biofuels based on speculative, limited land use change modeling may misguide biofuel policy development.”<sup>4</sup> Moreover, ethanol production has significant benefits over fossil fuel use. For example, it was recently reported that greenhouse gas emissions from oil refineries in the Midwest are expected to increase by as much as 40 percent in the next decade because of the extra energy required to process heavy crude extracted from the tar-soaked clay and sand lying under the swampy forests of northern Alberta.<sup>5</sup>

Domestic agricultural and ethanol production continues to develop very effective conservation measures that assure that biofuels are being produced in the most efficient and sustainable way. The ethanol industry itself is moving toward cleaner energy use and is reducing its water consumption.<sup>6</sup> The expanded RFS and the 2007 Energy Act includes additional measures to promote conservation and provide protections for the environment.

In particular, the RFS will greatly enhance the climate change benefits attributable to today’s renewable fuels industry by encouraging more sustainable technologies and reducing the carbon footprint of future energy production. The expanded program requires that 21 billion gallons out of the 36 billion gallons come from advanced biofuels. Advanced biofuels, such as cellulosic ethanol, must have more than 50 percent reduction in lifecycle greenhouse gas emissions over gasoline. As such, Congress has provided the necessary assurance for ethanol producers and investors that a market for their product will exist. As a result, the

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<sup>3</sup> Michael Wang, Argonne’s Transportation Technology R&D Center, and Zia Haq, Department of Energy’s Office of Biomass, Response to February 7, 2008 Scienceexpress Article.

<sup>4</sup> *Id.*

<sup>5</sup> Michael Hawthorne, “Refinery pollution may soar Midwest projects would increase emission up to 40%,” Chicago Tribune, Feb. 12, 2008.

<sup>6</sup> May Wu, Argonne National Laboratory, Analysis of the Efficiency of the U.S. Ethanol Industry 2007, Mar. 27, 2008, at 1.

commercialization of these important next generation ethanol technologies will develop far sooner than conventional wisdom suggests.

For example, last November, Range Fuels, Inc. broke ground on a commercial cellulosic ethanol plant located in Treutlen County, Georgia. The facility will use wood and wood waste from Georgia's pine forests and mills as its feedstock. Verenum is operating a cellulosic ethanol pilot plant and research and development facility in Jennings, Louisiana, and expects to complete later this year a demonstration-scale facility using plant matter and farm scraps like sugarcane bagasse and wood chips as feedstock to produce cellulosic ethanol at the same site. Abengoa Bioenergy operates a cellulosic biomass-to-ethanol pilot plant in York, Nebraska that will research and test proprietary technology for use in commercial-scale conversion of biomass into ethanol. POET Energy will expand an existing corn-based ethanol facility in Emmetsburg, Iowa into a bio-refinery that will include production of cellulosic ethanol from corn cobs and stover. And Iogen plans to build a cellulosic ethanol facility utilizing wheat and barley straw. These are just some examples of projects in the works to develop cellulosic ethanol.

In addition to the RFS, many of the other biofuels programs authorized by the 2007 Energy Act make the expanded RFS absolutely achievable. The 2007 Energy Act moves ethanol and renewable fuels beyond being just a blending component in gasoline, and guarantees that sufficient volumes of ethanol will be available to support the meaningful expansion of E-85 and flexible fuel vehicle technology.

## **Renewable Fuels Standard – Promoting the U.S. Economy and Energy Independence**

Expansion of the domestic biofuels industry will provide significant economic benefits in terms of a larger and more robust economy, increased income, new job creation in all sectors of the economy, and enhanced tax revenues at both the Federal and State levels. Increased biofuels production and use stimulated by the expanded RFS will also enhance America's energy security by displacing imported crude oil.

Specifically, expansion of the U.S. biofuels industry will<sup>7</sup>:

- Add more than \$1.7 trillion (2008 dollars) to the U.S. economy between 2008 and 2022;
- Generate an additional \$366 billion (2008 dollars) of household income for all Americans over the next 15 years;
- Support the creation of as many as 987,000 new jobs in all sectors of the economy by 2022;
- Generate \$353 billion (2008 dollars) in new Federal tax receipts; and
- Improve America's energy security by displacing 11.2 billion barrels of crude oil over the next 15 years and reduce the outflow of dollars to foreign oil producers by \$1.1 trillion (2008 dollars).

A recent report by the U.S. Department of Commerce's Bureau of Manufacturing and Services, *Energy in 2020: Assessing the Economic Effects of Commercialization of Cellulosic Ethanol*, noted the commercial viability of cellulosic ethanol will strengthen the competitiveness of many domestic industries and have a positive effect on the U.S. economy. In fact, the report found that annual benefits for American consumers would total \$12.6 billion if cellulosic ethanol production increased; U.S. crude oil imports would fall 4.1 percent if 20 billion gallons of cellulosic ethanol were produced in 2020, which is approximately 40 percent of current crude oil

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<sup>7</sup> John M. Urbanchuk, LECG LLC, "Economic Impact of the Renewable Fuel Standard Provisions of the Energy Independence and Security Act of 2007," Apr. 18, 2008, at 1-2.

imports from Venezuela; and, the global price of oil and the domestic U.S. fuel price would be 1.2 percent and 2.0 percent, respectively, lower than projected.

## **Renewable Fuels Standards - Benefits to the Consumer**

With the ever-increasing price of oil, ethanol is helping to give consumers some relief. Using ethanol in the U.S. transportation fuel market helps lower gasoline prices by expanding gasoline supplies and reducing the need for importing expensive, high-octane, petroleum-based gasoline components or more crude oil from unstable parts of the world.

The Consumer Federation of America noted last fall in an analysis of the energy bill that at \$3.00 per gallon of gasoline, the 36 billion gallon RFS would save consumers approximately \$180 billion.<sup>8</sup> In response to calls to scale back the Missouri E10 mandate, which began this year, a study for the Missouri Corn Merchandising Council also found that the mandate will result in substantial savings to the consumer: “The price for an E-10 blend is projected to be 7.2 cents per gallon below that of conventional gasoline over the next ten years resulting in annual savings of nearly \$214 million, or \$54 per driver per year, at the consumer level with no loss in revenue for the state from gasoline taxes.”<sup>9</sup> A Merrill Lynch analyst recently told the Wall Street Journal that world oil prices would be 15 percent higher without the expansion of biofuel production.<sup>10</sup> Another recent study by the Center for Agriculture and Rural Development at

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<sup>8</sup> Consumer Federation of America, “No Time to Waste: America’s Energy Situation is Dangerous, but Congress Can Adopt New Policies to Secure Our Future,” Oct. 2007, at 4.

<sup>9</sup> John M. Urbanchuk, Director, LECG LLC, “Impact of Ethanol on Retail Gasoline Prices in Missouri,” Apr. 2, 2008, at 3.

<sup>10</sup> Patrick Barta, “As Biofuels Catch On, Next Task is to Deal with Environmental, Economic Impact,” The Wall Street Journal, Mar. 24, 2008, at A2.

Iowa State University estimates that ethanol production and use has caused gasoline prices to be \$.029 to \$0.40 lower than they otherwise would have been.<sup>11</sup>

Recently, ethanol has received harsh criticism for allegedly driving up the price of corn and contributing to a rise in food prices. However, the evidence does not support that conclusion. A host of reasons play a role in driving food prices higher, including, for example, record oil prices, soaring global demand for commodities from oil to grains, poor weather conditions, a collapsing dollar, and restrictive agricultural policies around the world.

A report by Informa Economics, Inc. found the “marketing bill” -- the portion of final food costs that excludes grains or other raw materials -- is a key driver of the consumer price index (CPI) for food, largely due to rising energy and transportation costs.<sup>12</sup> There has been a sharp rise in marketing costs, which account for approximately 80 percent of food prices today.<sup>13</sup> This is up from 67 percent in the 1970s. Labor costs are the biggest component of the retail food dollar and are expected to continue to fuel food price increases. The farm commodity share of food prices, on the other hand, has diminished. The share has reduced from approximately 33 percent in the 1970s to approximately 20 percent today.<sup>14</sup> As the Informa Economics report concludes, “the statistical evidence does not support a conclusion that the growth in the ethanol industry is driving consumer food prices higher.”<sup>15</sup> Informa Chairman and Chief Executive Officer Bruce Scherr stated: “The statistical analysis plainly details that energy-intensive activities such as processing, packaging and transporting, as well as the cost of labor, have a far greater impact on consumer food bills than the price of grain. It may be politically convenient to

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<sup>11</sup> Xiaodong Du and Dermot J. Hayes, “The Impact of Ethanol Production on U.S. and Regional Gasoline Prices and on the Profitability of the U.S. Oil Refinery Industry,” Working Paper 08-WP 467, Apr. 2008, at 13.

<sup>12</sup> Informa Economics, “Analysis of Potential Causes of Consumer Food Price Inflation,” Nov. 2007, at 4.

<sup>13</sup> Federal Reserve Bank of Kansas City, *What is Driving Food Price Inflation?* The Main Street Economist: Regional and Rural Analysis, 2008, Vol. III, Issue I, at 2.

<sup>14</sup> *Id.*

<sup>15</sup> Informa Economics, *supra* note 12, at 5.

blame ethanol for rising food prices but it doesn't make it factually accurate. As far as Informa is concerned, this debate is settled.”<sup>16</sup>

In fact, energy prices are a large component of the retail food dollar: “Surging energy costs will also translate into higher food prices in 2008.”<sup>17</sup> The U.S. Department of Agriculture’s Economic Research Service estimates direct energy and transportation costs account for 7.5 percent of the overall average retail food dollar; “This suggests that for every 10 percent increase in energy costs, the retail food prices could increase by as much as 0.75 percent if fully passed on to consumers.”<sup>18</sup> In fact, oil prices have twice the impact on rising consumer food prices than does the price of corn.<sup>19</sup>

Ethanol production also provides highly valuable feed co-products, keeping food production costs down. A modern dry-mill ethanol refinery produces approximately 2.8 gallons of ethanol and 17 pounds of distillers grains from one bushel of corn. The distillers grains are a protein-rich animal feed that can be supplemented by low-cost bulk foods like alfalfa, keeping the farmer’s costs down.

Critics of the ethanol industry have also failed to recognize the advances that the agricultural and ethanol industries have made to meet demand in the most efficient and environmentally sensitive manner. Technological advances have enabled farmers to boost agricultural productivity to meet demands, including rising global demands with continuing increases in population around the world. “[W]hile corn ethanol production increased almost 30-fold between 1980 and 2006, the number of corn farming acres held steady—at around 80

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<sup>16</sup> Informa Economics, Inc., “Marketing Costs and Surging Global Demand for Commodities are Key Drivers of Food Price Inflation,” News Release Dec. 10, 2007, <http://www.informaecon.com/NewsReleaseDec10.pdf>.

<sup>17</sup> Federal Reserve Bank of Kansas City, *supra* note 13, at 3.

<sup>18</sup> Statement of Joseph Glauber, Chief Economist, USDA, Before the Joint Economic Committee, U.S. Congress, May 1, 2008.

<sup>19</sup> *See, e.g.*, John M. Urbanchuk, LECG LLC, “The Relative Impact of Corn and Energy Prices in the Grocery Aisle,” June 14, 2007, at 1.

million acres.”<sup>20</sup> “[A]s in the past, stronger agricultural productivity could help keep higher food price inflation at bay.”<sup>21</sup> In addition, a recent analysis provided to RFA by May Wu with the Argonne National Laboratory found that from 2001 to 2007, ethanol yield per bushel of corn increased 6.4 percent for dry mills and 2.4 percent for wet mills; total energy use (fossil and electricity) decreased 21.8 percent in dry mills and 7.2 percent in wet mills; and grid electricity use decreased 15.7 percent in dry mills.<sup>22</sup>

As summarized by the former Secretary of Agriculture John Block at an April 30, 2008 press conference: “A complex set of factors are at work helping to drive food prices higher around the world. ... Singling out biofuels like ethanol for all or even the majority of the blame misses the boat. Ethanol production and use is helping to keep oil and gasoline prices lower than they might otherwise be and preventing the situation from getting worse.”<sup>23</sup>

## **Renewable Fuels Standard - The Need for Greater Investment in Renewable Fuel Infrastructure**

### *Transportation and Distribution*

As the demand for fuel ethanol grows, the infrastructure available to transport, store and blend ethanol into gasoline has expanded as well. The U.S. ethanol industry has been working to expand a “Virtual Pipeline” through aggressive use of the rail system, barge and truck traffic. As a result, we can move product quickly to those areas where it is needed. Many ethanol plants have the capability to load unit trains of ethanol for shipment to ethanol terminals in key

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<sup>20</sup> Michael Wang, et al., Life-cycle energy and greenhouse gas emission impacts of different corn ethanol plant types, *Environ. Res. Lett.* 2 (April–June 2007), available at [http://www.iop.org/EJ/article/1748-9326/2/2/024001/erl7\\_2\\_024001.html](http://www.iop.org/EJ/article/1748-9326/2/2/024001/erl7_2_024001.html).

<sup>21</sup> Federal Reserve Bank of Kansas City, *supra* note 13, at 5.

<sup>22</sup> May Wu, *supra* note 6, at 1.

<sup>23</sup> See National Corn Growers Association, “Increasing Food Prices: It’s All About Oil, Speculation, Drought and Worldwide Demand (4-30-08),” <http://www.ncga.com/news/notd/2008/April/043008a.asp>.

markets. Unit trains are quickly becoming the norm, not the exception, which was not the case just a few years ago. Railroad companies are working with our industry to develop infrastructure to meet future demand for ethanol. We are also working closely with terminal operators and refiners to identify ethanol storage facilities and install blending equipment. We will continue to grow the necessary infrastructure to make sure that in any market we need to ship ethanol, there is rail access at gasoline terminals, and that those terminals are able to take unit trains.

A new ethanol trading and distribution center recently opened in Manley, Iowa, for example, that will help the industry distribute ethanol more efficiently. There will be more than 75 ethanol plants within 275 miles of the Manley terminal in operation by the end of 2009 – representing approximately 5.1 billion gallons. The Manley Terminal LLC will have storage capacity for 20 million gallons of renewable fuels. The facility will improve the efficiency of ethanol distribution by consolidating shipment in larger 70 to 95-car unit trains, and by improving utilization of ethanol suppliers' tank cars.

Today, there is limited shipment of ethanol via pipeline. However, several major pipeline owners are considering various ethanol pipeline shipment scenarios. And the U.S. Department of Transportation has initiated a project to work with the industry to overcome barriers to pipeline shipments. Looking to the future, completion of a study on the feasibility of transporting ethanol by dedicated pipeline from the Midwest to the East and West Coasts, as was provided for in the 2007 Energy Act, will be critical.

#### *Retail - E85 and Mid-level Blends*

There are more than 230 million cars on American roads today that are capable of running on 10 percent ethanol blended fuel, while only 6 million vehicles are flexible fuel vehicles that are capable of using up to 85 percent ethanol (E85). America's automakers and the

ethanol industry continue to work to develop the infrastructure and provide the vehicle fleet necessary to grow the E85 market. A key to the expanded use of E85 will be a significant increase in E85 refueling infrastructure. In recognition of the need and importance of E85, the 2007 Energy Act included an expansion of the Petroleum Marketing Practices Act (“PMPA”) to ensure that E85 infrastructure could be installed at stations run by franchisees, if they chose to. Specifically, the amendment prohibits restrictions by franchisors on franchisees or any affiliate of the franchisee related to the installation of renewable fuel infrastructure and advertising and sale of such renewable fuel. However, renewable fuel is defined in the amendment to the PMPA to include only E85 and certain biodiesels. Thus, the 2007 Energy Act’s amendments to the PMPA do not address mid-level blends of ethanol. In addition to E85, fuels with lower ethanol content, such as E15 or E20, may play an important and key role in meeting the new renewable fuel standard requirements.

The ethanol industry today is engaged in testing of higher blend levels of ethanol, beyond E10. There is evidence to suggest that today’s vehicle fleet could use higher blends. The State of Minnesota and the RFA recently completed a yearlong study on the effect and performance of gasoline blended fuels containing 20 percent volume fuel ethanol. The study was comprised of three main areas of investigation: drivability, materials compatibility, and emissions. The yearlong project resulted in four separate and distinct materials compatibility reports demonstrating that 20 percent ethanol blended fuels are not harmful to current automotive or fuel dispensing equipment. The drivability study proved the 20 percent blend not only performed as well as currently available fuels, but also operated effectively irrespective of outside air temperature. However, more work needs to be done, and the RFA is continuing to work with the DOE and other stakeholders to resolve other issues in order to make mid-level blends available.

## **Renewable Fuels Standards - Implementation and Technical Corrections**

The U.S. Environmental Protection Agency (EPA) is currently working on regulations to implement the expanded RFS. RFA commends EPA for its prior efforts in promulgating the current regulations and believes that these regulations form a good starting point. However, much work still needs to be done to incorporate the new requirements, particularly those regarding renewable biomass and greenhouse gas emission reductions, to address potential inconsistencies with the 2007 Energy Act amendments, and to ensure a workable and practical program. For example, EPA's treatment of imports and application of key provisions to foreign producers of renewable fuels are of particular importance due to the added difficulties in enforcement. The RFA looks forward to continuing to work with EPA on developing its regulations to ensure that the volume requirements are met without imposing undue obligations on renewable fuel producers here at home.

As with any new law, however, there will be technical corrections and other adjustments necessary to allow the expanded RFS to function as intended. For example, the 2007 Energy Act provides for public notice and comment in other determinations by the Administrator regarding lifecycle greenhouse gas emission, except for those provided in the definitions for "cellulosic biofuel" and "lifecycle greenhouse gas emissions." Notice and comment should be required for all lifecycle emissions determinations.

The 2007 Energy Act excludes the possibility for plants using corn starch, which is defined as "conventional biofuel," to qualify as "advanced biofuel." Advanced biofuels must meet a 50 percent reduction in greenhouse gas emissions. However, one pathway for the use of

cellulosic feedstocks is for corn stover and other cellulosic material to be co-processed with corn starch. The existing provision could be interpreted as precluding the ethanol produced from such a facility from being considered advanced biofuel. Moreover, with new more sustainable technologies, it is quite possible that corn-derived ethanol may one day meet the 50 percent reduction in greenhouse gas emissions benchmark of advanced biofuels. Corn starch ethanol plants should be incentivized to reduce their greenhouse gas emissions, and reaching the targets established for other processes should be rewarded. One option is to delete the term “conventional biofuel” and the exceptions for corn ethanol from the definition of advanced biofuels. Given the strict requirements in the 2007 Energy Act, there is no reason to preclude any facilities from the benefits otherwise provided for achieving a 50 percent reduction in greenhouse gas emissions.

To address potential supply issues of cellulosic and biomass-based diesel to meet the required volumes, the 2007 Energy Act includes specific waivers of their required volumes. However, the 2007 Energy Act also states that the Administrator may reduce the overall renewable fuel and advanced biofuel volume requirements, potentially solely in light of the reductions of these particular biofuels. These provisions arguably conflict with the criteria for such waivers under Section 211(o)(7)(A) of the Clean Air Act and appear to be without regard to whether other renewable fuel or advanced biofuels are available to make up the difference. Under these provisions as written, interested parties may also lose the ability to participate in the process. There is no policy reason to allow for reductions of the overall advanced biofuel or renewable fuel requirements if there is more than adequate supply of other renewable fuels or advanced biofuels.

Any reductions of the advanced biofuel and renewable fuel requirements should be limited to the criteria under Section 211(o)(7)(A) and any amounts of cellulosic biofuel or biomass-based diesel that are waived should be made up with other advanced biofuels or renewable fuels. In other words, any necessary waivers of cellulosic biofuel or biomass-based diesel should not reduce the required volumes for advanced biofuel or renewable fuel if other biofuels can make up the difference. This preserves the incentives for cellulosic biofuels, but accounts for the potential that the industry cannot keep pace, while preserving the overall goal of the 2007 Energy Act to require a specific amount of renewable fuel be sold each year to reduce greenhouse gas emissions and dependence on foreign oil.

Of increasing concern, however, is the application of the waiver provisions regarding the overall RFS in Section 211(o)(7)(A). The 2007 Energy Act did not change the standard for granting such waivers, but did expand the provision, starting in 2009, to allow any obligated party and EPA, on its own motion, to seek such a waiver. In passing the RFS, Congress expressly intended that the volume of gasoline used be reduced and increasingly replaced by renewable fuels. Congress provided for limited waivers in the case of inadequate domestic supply or where implementation of the requirement would *severely harm* the economy or environment of a State, a region, or the United States.

On April 25, 2008, Governor Rick Perry of Texas requested that EPA issue a waiver of 50 percent of the RFS for 2008, citing alleged economic impacts on Texas and food price increases. Governor Perry's request is based on data purportedly demonstrating that implementation of the RFS is having a negative impact on Texas' economy due to increased price of corn, an economy that the Governor also claims to be "the strongest in the nation." The Governor also references the costs at the grocery store, but in the Texas A&M study the

Governor himself cites as support, it was concluded that relaxing the standard would not affect food prices.

Governor Perry's request acknowledges that reducing the mandate will result in increased gasoline prices. Indeed it will. Removing 4.5 billion gallons of ethanol from the market, as envisioned by Governor Perry's waiver request, would increase gasoline prices in the short term (up to one year) by up to 31 percent.<sup>24</sup> This means that the current average retail price of \$3.65 per gallon would increase to \$4.79 per gallon! Such an increase in gasoline prices across the country would be devastating to all Americans. The longer-term response would be smaller, approximately 13 percent, but still a crippling impact on the U.S. economy.

Under the statute, EPA has 90 days to respond to this request and provide the public with an opportunity to comment. So that the public will have a meaningful opportunity to participate in this process, EPA should consider outlining the requirements for submitting future requests and the criteria EPA will use in making its determination. EPA must keep in mind the strict limits Congress imposed on granting such waivers.

## **Conclusion**

The RFS is a testament to what we can do when we work together toward a shared vision of the future. By increasingly relying on domestically produced renewable fuels, including next generation technologies such as cellulosic ethanol, we can begin the hard work necessary to mitigate the impact of global climate change, reduce our dependence on foreign oil, and leave a more stable and sustainable future for generations that follow.

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<sup>24</sup> Dr. John Urbanchuk, LECG, LLC. May 2, 2008.

Without question, EPA has a substantial amount of work ahead of it to implement this important program, and the U.S. ethanol industry stands ready to work with you to assure the journey you embarked upon with passage of the 2007 Energy Act is realized.

Thank you.