

**House Energy and Commerce Committee
Subcommittee on Energy and Power
United States House of Representatives**

**Hearing on
Overview of the Renewable Fuel Standard: Stakeholder Perspectives**

Testimony of

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Good morning, Chairman Whitfield, Ranking Member Rush, 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.

The RFA is the leading trade association for America's ethanol industry. Its mission is to advance the development, production, and use of fuel ethanol by strengthening America's ethanol industry and raising awareness about the benefits of renewable fuels. Founded in 1981, our members are committed to helping our country become cleaner, safer, and more energy independent.

Success of the Renewable Fuel Standard

By virtually any measure, the Renewable Fuel Standard (RFS) has been an unmitigated success. Renewable fuel production and consumption have grown dramatically. Dependence on petroleum — particularly imported gasoline — is down significantly. Greenhouse gas emissions from the transportation sector have fallen. The value of agricultural products is up appreciably. And communities across the country have benefited from the job creation, increased tax revenue, and heightened household income that stem from the construction and operation of a biorefinery.

In 2015, the production of 14.8 billion gallons (bg) of ethanol supported 85,967 direct jobs in renewable fuel production and agriculture, as well as 271,440 indirect and induced jobs across all sectors of the economy.¹ Net petroleum import dependence fell to just 25% in 2015, but would have been 32% without the addition of 14.8 bg of domestically produced ethanol to the nation's fuel supply.

While the oil industry would like to re-litigate the RFS today because its continued implementation will mean a further loss of market share, doing so would devastate investments that have been made in

¹ J. M. Urbanchuk. ABF Economics. "Contribution of the Ethanol Industry to the Economy of the United States in 2015." February 2016.

next generation biofuel technologies and stop the evolution of the transportation fuels market just as it is getting started. It is important to note that Congress did an excellent job of crafting the RFS, building in a great deal of administrative and market flexibility to deal with issues as they arise. As a result, there is nothing wrong with the RFS that cannot be fixed with what is right with the RFS, and there is no need to legislate changes to a program that is working well today.

EPA Waiver Authority

One example of that flexibility is the ability for the U.S. Environmental Protection Agency (EPA) to waive certain program requirements given specific circumstances. For example, the slower than expected commercialization of cellulosic ethanol and other advanced biofuels has prompted EPA to waive more than 98% of the cellulosic (D3 RIN pool) since the program began. EPA has responsibly and accurately reflected the available supply of cellulosic ethanol when setting annual standards for these fuels. Refiner's claims that the Agency is requiring them to sell fuels that don't yet exist are simply wrong. There has never been a situation where an obligated party has been unable to meet its EPA-determined D3 obligation because of inadequate supply.

Nevertheless, we believe the Agency greatly over-stepped its statutory authority when, in 2015, it used its general waiver authority to reduce the level of conventional biofuels required in 2014, 2015 and 2016 (D6 RIN pool) because the Agency believed there was insufficient infrastructure to distribute and blend the statutory levels required. In proposing the 2017 RVO for refiners last month, the Agency again pointed to its concern about infrastructure to justify a reduction in the conventional biofuel obligation.

The statute provides EPA with only two specific justifications for waiving the conventional biofuels requirement – significant harm to the economy and/or inadequate *supply* of biofuels. EPA has relied upon the latter – inadequate supply -- to justify its reductions in conventional biofuels. But adequate supply has never been in question. In fact, the U.S ethanol industry has demonstrated the ability to produce well more than 15 billion gallons, the level stipulated by the statute for 2015 and beyond. To justify its reductions, EPA has adopted the narrative of the oil industry that there isn't the infrastructure to blend that much ethanol into gasoline to create its own "distribution waiver."

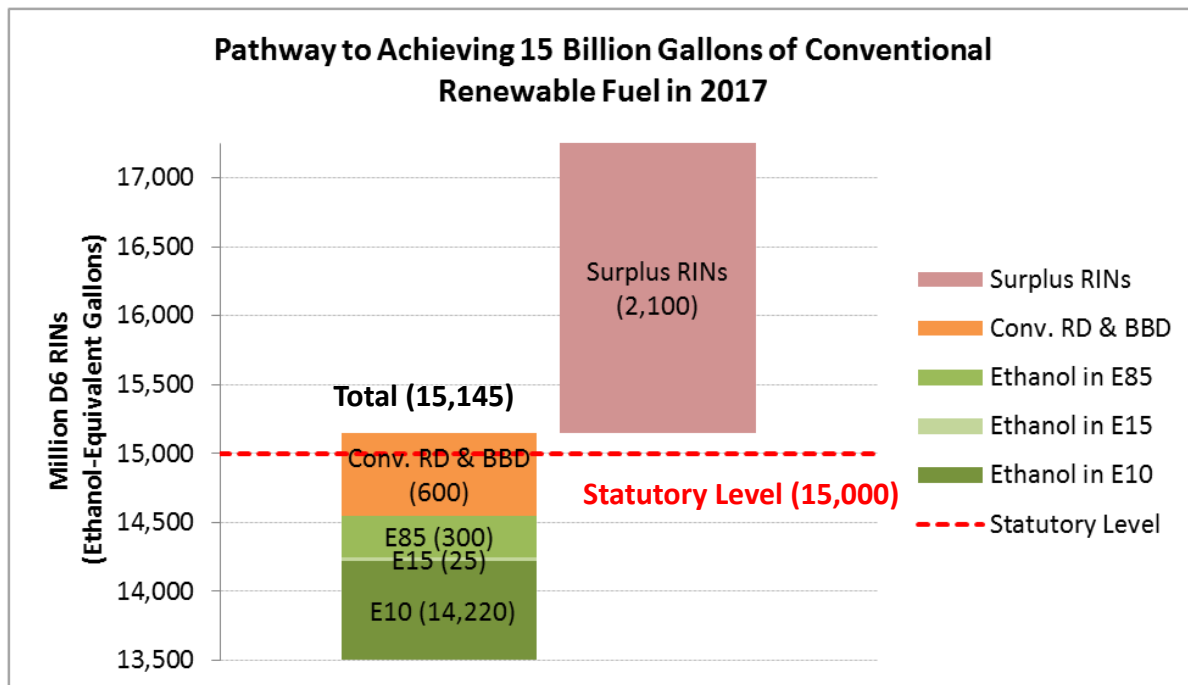
However, the statute does not allow the Agency to take infrastructure into account when determining the required volumes under the RFS. In fact, Congress specifically considered, and rejected, an infrastructure or distribution waiver. Congress intended the RFS to drive investment in infrastructure to allow greater use of renewable fuels. Otherwise, how much renewable fuel is used in this program would be determined by the oil industry itself, based on the level of infrastructure it would make available to its competition. Obviously, there would be little motivation for the oil industry to accommodate biofuels by investing in pumps to supply higher level blends or to allow gasoline marketers downstream to blend new products like E15.

The issue of EPA's statutory authority is the subject of ongoing litigation. But we remain resolute that the RFS was intended to change the way oil companies do business and maximize the use of renewable fuels. It was not intended to appease the incumbent industry that is simply unwilling to recognize the energy, economic, and environmental benefits of increased biofuel use.

A Clear Pathway Exists to 15 Billion Gallons of Conventional Renewable Fuel in 2017

Even if infrastructure and distribution capacity were factors EPA could consider in deciding whether to use its general waiver authority, careful analysis shows that the market can readily distribute and consume the statutory 15 bg requirement for conventional biofuels in 2017.

The Department of Energy’s June Short-term Energy Outlook raised the 2017 gasoline consumption forecast to 142.9 bg. That means more than 14.2 bg of ethanol will very likely be consumed in E10 blends next year. In addition, the number of stations offering E15 and E85 is expanding rapidly in response to USDA’s Biofuels Infrastructure Partnership grants and industry programs like Prime the Pump. As a result, it is expected that more than 300 million gallons of ethanol will be consumed in E15, E85 and mid-level blends in 2017. Further, EPA’s own proposal suggests 0.4 bg of conventional (i.e., non-advanced) biodiesel and renewable diesel will be consumed, adding roughly 0.6 bg (ethanol-equivalent) toward compliance with the conventional renewable fuel RVO. Altogether, that means conventional renewable fuel consumption will be roughly 15.1 bg (ethanol equivalent) in 2017.



Surplus RINs Are Part of the “Available Supply”

Even if obligated parties blend a volume of conventional biofuel that is slightly less than 15 bg in 2017, they would still easily comply with the statutory RVO because nearly 2 billion surplus RINs remain available in the market today. Incomprehensively, EPA has ignored RIN stocks in estimating the supply of renewable fuel available to facilitate compliance with 2017 RVOs.

EPA’s exclusion of carryover RINs is confounding given the Agency’s treatment of surplus RINs in previous rulemakings and administrative actions. In the past, EPA has consistently accounted for the flexibility provided by carryover RINs when proposing annual RVO requirements and deciding waiver requests. Indeed, the 2010 final rule implementing the expanded RFS program concluded that “...it is ultimately the availability of qualifying fuel, as determined in part by *the number of RINs in the marketplace*, that will determine the extent to which EPA should issue a waiver of RFS requirements

on the basis of inadequate domestic supply.”² Moreover, in denying requests to waive the RFS in 2012, the Agency relied on an economic model that “...utilizes EPA estimates regarding excess, or ‘rollover’ RINs, that *will be available for use for compliance purposes* in the 2012/2013 corn marketing year time period.”³ The Notice further recognized that:

[t]he *availability of rollover RINs*, the beneficial economics of producing ethanol gasoline blends, the generally low level of flexibility of refiners to shift from ethanol over a one year period, and the low price currently in the market for renewable fuel RINs all support the conclusion that waiving the RFS program would not be expected to have any effect on the production of ethanol.⁴

More recently, the final rule establishing 2013 RVOs explicitly included carryover RINs in its assessment of the obligated industry’s ability to comply with statutory requirements.

...[T]he combination of available volumes of advanced and non-advanced biofuel from both domestic and foreign sources, the ability of the transportation sector to consume some quantity of ethanol in blend levels higher than E10, *and carryover Renewable Identification numbers (RINs) from 2012* has led us to conclude that the statutory volumes for both advanced biofuel and total renewable fuel can be met in 2013. As a result, we are not reducing the national applicable volumes in the statute for either advanced biofuel or total renewable fuel volume...⁵

Further, in referencing *Monroe v. EPA* (D.C. Cir. 2014), EPA’s proposed rule for 2014-2016 acknowledges that the “...availability of carryover RINs is a relevant consideration in determining the extent to which a waiver is justified...”⁶ Indeed, the Court determined that EPA had reasonably declined to use the cellulosic waiver authority to reduce the 2013 advanced and total renewable fuel statutory volumes by examining “...the availability of renewable fuels that would qualify as advanced biofuel and renewable fuel, the ability of those fuels to be consumed, *and carryover RINs from 2012.*”⁷

RINs: A Cost for Some, a Profit for Others, No Impact on the Consumer

In addition to providing year-to-year compliance flexibility for obligated parties, the RIN system was expressly designed to stimulate investment in expanded renewable fuels production and distribution capacity. RIN credits are “attached” to renewable fuels at the point of production; thus, when an obligated party purchases and blends a gallon of renewable fuel, it also obtains the associated RIN credit at no additional cost. In this scenario, RINs are “free” to the obligated party.

The RIN works as an incentive to expand infrastructure by forcing obligated parties to make a fundamental choice: acquire necessary RINs by investing in the capacity to blend more renewable fuel (with attached RINs), or acquire necessary RINs by purchasing the detached credits on the open market from non-obligated parties or obligated parties who have blended more renewable fuel than required.

² EPA, *Regulation of Fuels and Fuel Additives: Changes to the Renewable Fuel Standard Program*, 75 Fed. Reg. 14,698 (emphasis added).

³ EPA, *Notice of Decision Regarding Requests for a Waiver of the Renewable Fuel Standard*, 77 Fed. Reg. 70,752, 70,757 (Nov. 27, 2012) (emphasis added).

⁴ 77 Fed. Reg. at 70,775 (emphasis added).

⁵ 78 Fed. Reg. at 49,794 (emphasis added).

⁶ 80 Fed. Reg. 33,110 citing *Monroe v. EPA*, 750 F.3d 909, 915 (D.C. Cir. 2014)

⁷ *Monroe v. EPA*, 750 F.3d 916, 915 (D.C. Cir. 2014) (emphasis added)

RINs are primarily traded in a “closed loop” market amongst parties in the gasoline supply chain. That is, a party buying a detached RIN will incur an additional cost, but the counterparty selling the RIN will simultaneously incur a profit. In this manner, one party’s RIN expense is exactly offset by the counterparty’s RIN revenue, and the net effect is no impact to the consumer. Second, the gasoline market is highly competitive and market actors are compelled to match, or undercut, the wholesale selling prices of their competitors. Thus, a refiner who has purchased RINs on the open market cannot markup the selling price of its gasoline to recoup RIN expenses if it wishes to remain competitive with other refiners who profited from the sale of detached RINs. In short, there are winners and losers in the RIN market, but because the system is essentially a closed loop, retail gasoline prices are unaffected. A number of refiners and blenders substantiated the “zero sum” nature of the RIN market in financial earnings statements.⁸

As renewable fuel blending requirements approach or exceed perceived market barriers such as the so-called E10 “blend wall,” demand for detached RINs for compliance will increase and, naturally, prices will rise. When RIN prices are lower than the cost of installing infrastructure to dispense ethanol blends above E10, obligated parties will purchase RINs on the open market to cover unsatisfied blending obligations. But as demand for RINs increases and prices rise, rational obligated parties will, at some price point, find it more economical and financially responsible to invest in the infrastructure necessary to distribute high-level ethanol blends than it is to purchase RINs on the open market. As explained by Babcock & Pouliot (2013a), “The cure for high compliance costs is investment in E85 and E15 infrastructures, which, in turn, would allow for the higher future biofuel consumption levels that are envisioned in current policy.”⁹

Installing the infrastructure to dispense greater volumes of E85 and E15 decreases pressure on the RIN market, results in lower RIN prices and, in turn, lowers compliance costs for obligated parties. Babcock & Pouliot (2014a) show that every \$1 of investment in E85 infrastructure would have reduced compliance costs for obligated parties by \$108 in 2014 if the statutory RVO had been maintained. In other words, rational economic actors considering the financial tradeoffs associated with meeting RFS obligations would favor installation of infrastructure over purchasing detached RINs.

At the same time, higher RIN prices enable retail discounting of E15, E85, and mid-level blends (“MLBs”)¹⁰ by lowering the effective cost of ethanol in the blend. That is, a marketer who purchases ethanol (with RINs attached) and blends it with gasoline to make E15, E85 or MLBs can separate the RINs from the ethanol gallons and sell them to obligated parties who need additional RINs for compliance. As such, the sale of RINs allows marketers and retailers to reduce the price of E15, E85 and MLBs for consumers, thus stimulating increased consumption.

Unfortunately, EPA’s proposal has diminished the economic incentive to invest in the infrastructure necessary to dispense higher-level ethanol blends and has impaired the ability of retailers to offer E85 and E15 at significant discounts to E10. In essence, EPA’s proposal seeks to make the alternative method of complying with RFS requirements (i.e., purchasing and turning in banked RINs) less costly for obligated parties than the intended primary method of compliance (i.e., purchasing and blending

⁸ See Geoff Cooper, RFA, *What do Big Oil’s Quarterly Earnings Say About the Real Impact of RINs on U.S. Gas Prices?* (Aug. 1, 2013), available at <http://www.ethanolrfa.org/exchange/entry/what-do-big-oils-quarterly-earnings-say-about-the-real-impact-of-rins-on-u/>.

⁹ Bruce A. Babcock and Sebastien Pouliot, Iowa State University Center for Agricultural and Rural Development, *The Economic Role of RIN Prices*, at 4. CARD Policy Brief 13-PB 14 (Nov. 2013) (hereafter “Babcock & Pouliot (2013a)”), available at <https://www.card.iastate.edu/publications/dbs/pdffiles/13pb14.pdf>.

¹⁰ Mid-level blends, or MLBs, are gasoline/ethanol blends containing 16-50% ethanol by volume.

physical volumes of renewable fuels). This is plainly a backward approach to complying with the RFS.

Setting the 2017 RVO for renewable fuel at the statutory level of 15.0 bg would help restore the efficacy of the RIN market mechanism and help drive the investments necessary to facilitate compliance in 2017 and beyond.

RINs and Retail Gasoline Prices

In its efforts to undermine the RFS, the oil industry has speciously suggested that higher RIN prices contribute to higher retail gasoline prices, which could result in “harm” to the economy of the United States. Regrettably, it appears that some in the Administration may have shared the oil industry’s position. In reality, there is no evidence that fluctuations in RIN prices have had any impact on retail prices for gasoline (i.e., E10), and in fact there *is* evidence that higher RIN prices result in lower retail prices for fuel blends containing higher levels of ethanol.

EPA now definitively concludes that “the RIN market seems to be functioning generally as expected; providing an incentive for the continued growth of renewable fuels in the transportation fuel market *without causing overall increases to the retail price of transportation fuel.*”¹¹

EPA’s finding is corroborated by analyses conducted by academia and private economic consulting firms:

- Irwin & Good of the University of Illinois examined 2012-2013 prices for CBOB, ethanol and D6 RINs to determine the impact of rising RIN prices on retail gasoline prices.¹² They found that “the basic zero sum nature of relationships in the supply chain and recent price trends for CBOB blendstock and ethanol suggests that the impact, if any, has likely been small, at most a few cents.”
- In a May 2015 update to a 2014 study, Informa Economics (Attachment 4) concluded that, “Changes in prices of renewable identification numbers (RINs) did not cause changes in retail gasoline prices from 2013 through the first quarter of 2015.”¹³
- Analysis by economists at Iowa State University found that “the most likely outcome from increasing ethanol mandates is a drop in pump prices, not an increase.”¹⁴ Further, they concluded, “Many in the oil industry have used the specter of higher pump prices to argue against increased mandates. ... These findings show that concern about the consumer price of fuel do not justify a reduction in feasible ethanol mandates.”
- Retired Yale and Calgary professor Philip Verleger conducted an economic study that concluded the “RIN price impact on retail prices is small and transient.”¹⁵ He found that

¹¹ Burkholder, Dallas. “A Preliminary Assessment of RIN Market Dynamics, RIN Prices, and Their Effects,” U.S. EPA-Office of Transportation and Air Quality (May 14, 2015). Available at: <http://www.regulations.gov/#!documentDetail;D=EPA-HQ-OAR-2015-0111-0062>

¹² Irwin, S. & D. Good (Mar. 2013), “High Gasoline and Ethanol RINs Prices: Is There a Connection?” Link: <http://farmdocdaily.illinois.edu/2013/03/high-gasoline-ethanol-rins-prices.html>

¹³ Informa Economics, Inc. (May 2015), “Analysis of Whether the Prices of Renewable Fuel Standard RINs Have Affected Retail Gasoline Prices.” Link: http://ethanolrfa.3cdn.net/f1c5dfa9ac9743e9f8_csm6bcb8e.pdf

¹⁴ Pouliot, S. and B.A. Babcock (Jan. 2014). Center for Agricultural and Rural Development (CARD); Iowa State University. “Impact of Increased Ethanol Mandates on Prices at the Pump.” CARD Policy Brief 14-PB 18. Link: <http://www.card.iastate.edu/publications/synopsis.aspx?id=1218>

¹⁵ Verleger, P.K., Jr. (Jan. 2014), “The Renewable Fuel Standard: How Markets Can Knock Down Walls.” Link: <http://www.pkverlegerllc.com/publications/papers/the-renewable-fuel-standard-how-markets-can-knock-down-walls-january-2014-1162/>

competition in the gasoline supply chain tends to diminish any price increases when refiners or blenders tried to embed the RIN price into E10 prices.

- EIA confirmed the absence of any connection between RIN prices and retail gasoline prices, stating: “To date, there is no evidence that retail gasoline prices have been affected by high RIN prices. While the cost of refined gasoline blendstock can be affected by high RIN prices, the increased cost to gasoline blenders is almost exactly offset in 2013 by their increased revenue generated from the sales of RINs separated when they blend ethanol into gasoline.”¹⁶
- Even a former member of President Obama’s Council of Economic Advisers, who took part in the interagency review of the original 2014 RVO proposal, recently found that “...the price of E10 does not vary with RIN prices...” and that RIN prices actually serve to “...decreas[e] the price of fuels with high renewable content (like E85).”¹⁷

Far from leading to higher retail gasoline prices, elevated RIN prices would — as demonstrated elsewhere in these comments — induce expansion of E15 and E85 infrastructure and allow retailers to discount prices for these fuels relative to gasoline.

The So-Called Blend Wall is No Barrier to Increased Ethanol Usage

In creating the narrative to justify repeal or reform of the RFS, the oil industry has steadfastly maintained that the market cannot possibly absorb more than 9.7% ethanol, which according to them represents an unbreakable “blend wall” limiting the amount of ethanol that can be used in the RFS. But there is no magical marketplace limit or constraint on ethanol at 9.7%. The American Petroleum Institute (API), American Fuel & Petrochemical Manufacturers, Petroleum Marketers Association of America and others suggest exceeding that 9.7% threshold is somehow “dangerous for consumers.” In fact, the marketplace has already demonstrated it can handle much higher levels of ethanol. EIA data show that gasoline consumed in 27 states in 2014 contained more than 9.7% ethanol on average, with 23 states above 10.0% due to small volumes of E15 and E85. Minnesota’s average ethanol content was 12.2% in 2014. And in the 74 weeks since the beginning of 2015, the *national* average ethanol blend rate has exceeded the 9.7% level 25 times — more than one-third of the time. In the end, the oil industry’s 9.7% “barrier” argument is just one more desperate attempt to add mortar to their so-called “blend wall.”

Infrastructure for Higher Level Ethanol Blends is Expanding

Indeed, belying the notion of a blend wall and despite EPA’s tepid enforcement of the RFS to date, retail fuel infrastructure to support more than 10% ethanol blends will grow faster in the remainder of 2016 and throughout 2017 than any other timeframe in history. The combination of USDA’s Biofuels Infrastructure Partnership Program, the ethanol industry’s Prime the Pump initiative, and multiple state and local efforts, will lead to approximately 2,000 new stations that will offer E15 and E85 in the next 12-18 months. The E15 misinformation campaigns around misfueling concerns, and the cost of offering these fuels is being minimized with facts, and major companies like Sheetz, Kum & Go, Protec, Thorntons and others are leading by example. These companies are demonstrating that if consumers have the option, they will embrace it. Further, if EPA would eliminate the unequal

¹⁶ Presentation by Mindi Farber-DeAnda, EIA Office of Petroleum, Natural Gas, and Biofuels Analysis to Advanced Biofuels Association (Nov. 20, 2013). Washington, D.C.

¹⁷ Stock, James H. (April 2015). Columbia SIPA Center on Global Energy Policy. “The Renewable Fuel Standard: A Path Forward.” Available at: http://energypolicy.columbia.edu/sites/default/files/energy/Renewable%20Fuel%20Standard_A%20Path%20Forward_April%202015.pdf

treatment of E10 and E15 during the summer volatility season, more retailers would embrace E15 overnight.¹⁸

Small Engines/Marine Engines/Motorcycles

Some of the national associations representing small engines, motorcycles and other offroad engines, have suggested that proposed increased volumes under the RFS will lead to “calamitous” engine failures. But none of these engines were approved for E15, and none are approved for flex fuels, like E85. These groups suggest that higher ethanol blends will cause more confusion, and will eliminate the opportunity to fuel with E10 or ethanol free fuel. No fuel retailer is going to stop offering regular unleaded in exchange for E15. They are not going to ignore the previously mentioned groups, or those that might not want to purchase a higher level blend. According to API, the availability of ethanol free fuel has climbed over the last few years, as the volume obligations have climbed under the RFS. The flexibility of the RFS allows this to happen, and there is no reason to believe it will stop. The EPA’s requirement for a Misfueling Mitigation Plan (MMP) is there to protect those with engines that should not use E15. RFA has the only approved MMP, and retailers follow it to meet their compliance requirements. In addition, E15 has a large orange and black required label to be posted for all to see. In the four years that E15 has been available in the marketplace, there has not been one confirmed case of misfueling, and not one instance of engine damage or warranty issues.

Food vs. Fuel

Even in the face of low corn prices, record feed supplies, and falling food prices, opponents of ethanol unbelievably cling to the contrived “food vs. fuel” myth. Lobbyists representing fast food restaurants, grocery manufacturers, and corporate poultry producers continue to suggest that the RFS is responsible for higher food prices. But their absurd claims are increasingly falling on deaf ears...and for good reason.

Farmers harvested a corn crop of 13.65 billion bushels in 2015 — the third-largest ever, trailing only 2014’s record crop and 2013’s robust haul. That means the three largest crops in U.S. history have been produced in the last three years. Prior to 2000, U.S. farmers produced just one corn crop larger than 10 billion bushels. Since 2000, they’ve done it 13 times. As a result, more grain is available for domestic food and feed today than ever before. What’s more, global grain production, supplies and ending stocks are projected to hit all-time highs in 2016/17, and just 2.9% of that record supply is expected to be used for U.S. ethanol production.

Meanwhile, food price inflation continued its downward trend, and consumers are spending a smaller portion of their income on food today than before. Between 1980 and 2004, food prices increased by an average of 3.5% per year; in contrast, food prices have risen by an average of just 2.7% per year since 2005, the year RFS was adopted. Further, the world food price index has fallen to its lowest point since the global financial crisis of 2009.

USDA now forecasts corn prices to average \$3.60 per bushel in the upcoming 2016/17 marketing year, higher than the season average price of \$4.20 per bushel when the RFS was expanded in 2007. Corn prices are averaging \$3.70 per bushel in the current 2015/16 marketing year, the same as in

¹⁸ Currently, EPA provides a 1 psi RVP tolerance for 10% ethanol blends during the summer volatility control season. The tolerance was deemed necessary in 1988 because gasoline marketers were having difficulty securing specially tailored blendstocks for blending E10. EPA has not extended that same tolerance to E15, meaning those marketers wanting to offer E15 year round to their consumers must secure a lower volatility blendstock. Refiners are not producing those blendstocks nationwide today. EPA needs to provide parity on the volatility issue if E15 is ever to realize its full marketplace potential.

2014/15. Meanwhile we saw record ethanol production in 2014 and another record again in 2015. Clearly, many factors other than ethanol demand are driving corn prices.

Just as ethanol demand isn't the only driver of corn prices, the cost of corn and other feed commodities isn't the only driver of retail food prices. In fact, only 17 cents of every dollar spent on food pays for the raw farm ingredients in the food item. The other 83 cents pay for processing, transportation, labor, packaging, advertising and other costs.

Just last week, a report published by World Bank, the U.S. Department of Energy, and others found that biofuels expansion has not been a significant factor in the increase in world food prices over the past decade. "The high-profile expansion of ethanol production in the United States and Brazil, in tandem with a global price spike in food and commodities in 2007–2008, led many to contend that a causal relationship exists between biofuels expansion and food insecurity," according to the report. "The apparent short-term correlations are often cited as evidence of negative impacts of biofuels on food security. There are several problems with such assertions. First, many studies attribute the food price spikes in 2008 primarily to other factors such as oil prices, economic growth, currency exchange rates and trade policies. Speculation in food commodities also contributed to price spikes in 2008 and 2011. Second, the correlations did not persist as global biofuel consumption continued to grow and cereal prices fell or showed distinct patterns over the last six years, driven by oil price, national agricultural policies and exchange rates."

Among other conclusions, the report noted that while the 2012 U.S. drought caused some ethanol plants to reduce output or temporarily shut, "[t]hanks, in part, to the ethanol 'supply cushion' and market flexibility, there was not a notable jump in commodity prices as the 2012–2013 crop was harvested, despite a drought affecting 80% of U.S. agricultural land."

And in response to those who argue the RFS has resulted in higher food prices, the Congressional Budget Office recently found that consumer food prices might fall by "less than 0.1%" — an imperceptible change — if the RFS was repealed.

Yes, We Are Producing More Oil Domestically, But the RFS Remains a Critically Important Energy and Environmental Program

Opponents of the RFS have suggested that the domestic oil "boom" that resulted from the emergence of fracking makes the RFS unnecessary and irrelevant. Nothing could be further from the truth, and the fracking boom is going bust.

After peaking in July 2015, U.S. oil production has fallen nearly 10%. EIA data show that last week's U.S. oil production was the lowest in 93 weeks and further declines are expected. Meanwhile, crude oil imports are on the rise again. In March, U.S. crude oil imports averaged 8 million barrels per day, while refinery crude oil input averaged 16.1 million barrels per day; in other words, half of the oil processed by U.S. refineries was imported.

We see constant reminders of the dangers of over-reliance on one source of energy. Just last August, a large oil refinery in Indiana unexpectedly shut down and gas prices all across the Midwest spiked by 30-50 cents per gallon overnight.

Further, OPEC continues to manipulate the oil market — and U.S. economy — through predatory and monopolistic behaviors. By refusing to curtail production and creating a glut of cheap crude oil, OPEC oil ministers have driven oil prices to a 13-year low and brought the U.S. fracking boom to an abrupt halt. The number of active U.S. oil rigs has plunged 70% since October 2014 and domestic

production appears to have peaked. The fracking bust has been devastating to the work forces and economies of oil producing states, and it is a reason the U.S. stock market got off to its worst 10-day start in history as 2016 began. Using more renewable fuels like ethanol — the very purpose of the RFS — would absolutely help insulate U.S. consumers from this kind of volatility, which cuts both ways.

And the RFS introduces real competition into the fuel market, resulting in lower prices and cleaner fuels for consumers. By requiring that oil companies blend certain amounts of renewable fuel with gasoline and diesel, the RFS is the only mechanism that guarantees consumer access to lower-carbon biofuels in a fuel market that is overwhelmingly and unfairly dominated by petroleum. Indeed, if the U.S. is ever going to abide by the carbon reduction goals established by the COP21 Agreement, an aggressive biofuels policy like the RFS is going to be essential.

Conclusion

We believe the RFS has been and continues to be an extraordinary success story. It is doing exactly what this Committee designed it to do a decade ago. While some stakeholders may not like the policy objectives this program was designed to address, the fact is energy diversity and security, rural economic development, reducing carbon, and spurring investment in new technologies remain critical policy priorities today. Repealing or dramatically reforming the RFS now will only undermine those critical policy goals at a time when the program is on the cusp of realizing its most challenging objective – commercializing the new, lower carbon technologies that promise to revolutionize our nation’s transportation fuel system. Frankly, that’s really what all the fuss is about. The incumbent industry has already lost 10% of the market, if the RFS is implemented consistent with the statute, the market will make the final push to see cellulosic ethanol and other advanced biofuels to fruition, resulting in the loss of 30% of the market.

You wrote a good law in 2005. Don’t be bullied by the hyperbole and scare mongering by the incumbent industry that fundamentally disagrees with the need for alternative, low carbon options for consumers.

As we always have, the RFA looks forward to working with you to further develop and implement sound policies that provide the proper incentives to make a more sustainable energy, economic and environmental future.

Thank you.