



## GOVERNORS' BIOFUELS COALITION

• Iowa Gov. Terry Branstad, Chair • Missouri Gov. Jay Nixon, Vice Chair

July 27, 2015

The Honorable Gina McCarthy  
Administrator  
U.S. Environmental Protection Agency  
1200 Pennsylvania Avenue  
Washington, D.C. 20406

The Honorable Shaun Donovan  
Director, White House Office of  
Management and Budget  
725 17<sup>th</sup> Street  
Washington, D.C. 20503

Dear Administrator McCarthy and Director Donovan:

We urge you to more aggressively grow the volume obligation levels within the *Renewable Fuel Standard 2014, 2015, 2016* (No. EPA-HQ-OAR-2015-0111, 40 CFR Part 80), than the proposed levels within the recent rule. The proposed rule will prevent the growth of low carbon transportation fuels in our nation, constrain a vital value-added path for biofeedstocks, limit consumer choice at the pump, and undermine our shared interest in revitalizing the nation's rural economy.

While the ethanol blending requirements for 2014 and 2015 are at actual production levels in the proposed rule, the volume required for 2016 is still much lower than the statutory volume set by Congress in 2009. In EPA's most recent announcement, the agency claims that "[t]he Clean Air Act provides EPA with the authority to reduce the volume requirements from their statutory requirements ..." This is a significant change in the interpretation of the statute and it lends credibility to the myth of an E10 "blend wall." This interpretation is a major barrier to greater use of renewable fuels if EPA sets 2016 volumes for total renewable fuels at only 9.63 percent of the total transportation fuel supply. The proposed levels also overlook significant state and federal investments in renewable fuel infrastructure, including the USDA's Biofuels Infrastructure Program that will add \$100 million to infrastructure development and improved consumer access.

EPA has set blending levels for 2016 above current levels, largely because of rising gasoline use predicted through 2016. According to EPA, the standards are "ambitious but within reach." However, a target that hovers barely above production is certainly not "ambitious" and stifles any notion by investors that the United States is a welcoming growth market for renewable fuels. Congress passed the RFS with the intent of – among other things – attracting significant investment to rural economies and diversifying our transportation fuel supply. So far, the RFS has done just that in Iowa, Missouri, and many other states. But the chilling effect of delays and policy uncertainty has already caused the industry to lose \$13.7 billion in investments, mostly in advanced biofuels.<sup>1</sup> The proposed rule will prevent further investments.

The ultimate losers under the proposed rule will be American consumers, farmers, and alternative fuels, especially advanced fuels like biodiesel and cellulosic ethanol. Since advanced fuels are still a growth industry, compared to the more mature corn ethanol industry, they will feel the cuts first and most deeply. There has been remarkable progress in the development of

advanced fuels in the six years since the RFS2 was signed into law in 2009. Two commercial scale cellulosic ethanol refineries have opened in the last year: POET DSM Project Liberty in Iowa and Abengoa Bioenergy in Kansas. A DuPont plant in Iowa should be operational by the end of this year.

But advanced biofuels are at a turning point. If the EPA does not change its interpretation of the RFS2 for 2016 volumes, big ethanol companies will hesitate to build another cellulosic ethanol plant in the United States. Instead, they will look to China, South America, and other regions that have stable biofuels policies. In fact, DuPont announced recently that they will build no new cellulosic ethanol production facilities in the United States because of “policy uncertainty.” Instead, they will license the innovative technology used at their Iowa plant to overseas companies.

Commercialization of advanced ethanol has been remarkably fast. Short-term delays should not be the reason to ignore the law and Congress’s intent. In fact, it took nearly 40 years to turn a 2½-pound cell phone the size of a brick into a 5-ounce smart phone with more computer power than the world’s first computer. It is truly shortsighted to ignore the statutory goals of the RFS2 and to impose even higher standards on the nascent advanced biofuels industry.

The RFS has been a remarkable policy success for our states. It has reduced petroleum use, provided consumer choice, diversified fuels, reduced transportation emissions, invigorated rural economies, reduced economic vulnerability to global oil supply disruptions, and lowered fuel prices.

We thank you for your consideration of our comments and urge you to follow the statutorily required 2016 blending levels.

Sincerely,



Terry E. Branstad  
Chairman and  
Governor of Iowa



Jeremiah W. (Jay) Nixon  
Vice Chairman and  
Governor of Missouri

cc: Hon. Dennis McDonough, White House Chief of Staff  
Hon. Brian Deese, Senior Advisor to the President  
Hon. Dan Utech, Deputy Assistant to the President for Energy and Climate Change  
Hon. Tom Vilsack, Secretary, U.S. Department of Agriculture  
Hon. Ernie Moniz, Secretary, U.S. Department of Energy

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<sup>i</sup> “Estimating Chilled Investment for Advanced Biofuels Due to RFS Uncertainty,” Bio-Economic Research Associates. U.S. Economic Impact of Advanced Biofuels Production: Perspectives to 2030. Washington, DC: bio-era, Feb. 2009