



**Environmental Protection Agency**

**Hearing on  
Proposed Rule for Changes to Renewable Fuel Standard (RFS2) Program**

**Testimony of**

**Bob Dinneen  
President & CEO**

**June 9, 2009**

Good morning. 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. By expanding the Renewable Fuels Standard, the Energy Independence and Security Act of 2007 (EISA) capitalizes on the substantial benefits that renewable fuels offer. However, for the potential benefits of the RFS2 to be fully realized, it is imperative that the regulation is guided by sound science, transparent analysis and economic modeling that stands up to scrutiny. After reviewing the RFS2 Notice of Proposed Rulemaking (NOPR) and related materials, RFA has several major concerns and we will be submitting detailed written comments soon focused on the following areas and many others.

1. **Lifecycle greenhouse gas analysis.** One of our primary concerns with the RFS2 proposal is the tremendous amount of uncertainty and speculation associated with EPA's lifecycle GHG analysis of biofuels, including emissions from indirect land use change. We are concerned by several specific elements of EPA's lifecycle analysis, as follows:
  - o ***Inclusion of international indirect land use change emissions.*** There is simply no evidence that biofuel production in the U.S. has significant influence over land use decisions in other countries, and we have deep concerns regarding the EPA's methodology. According to EPA's own analysis, typical corn ethanol reduces GHGs 61% compared to gasoline when all the emissions directly related to the supply chain are accounted for. But when "guesstimated" international indirect land use change emissions are tacked on, EPA suggests that same gallon of ethanol only offers a 16% GHG reduction.
  - o ***Model integration.*** One reason for our discomfort with the inclusion of indirect land use change in EPA's lifecycle analysis is that there is not a widely accepted methodology for analyzing indirect effects. The EPA is using nine separate models

and data sets to conduct its full fuel cycle analysis, many of which were not initially designed to conduct this type of analysis or work together.

- **Model validation.** Large-scale models must be validated against real-world data whenever possible. It is not clear whether EPA has performed this validation or back-casting with its modeling framework.
  - **Specific Assumptions.** Results from large-scale “black box” models are only as good as the assumptions that are input into the models. We have many concerns about specific assumptions that are used by EPA in the lifecycle analysis of ethanol. For instance, we think EPA is greatly underestimating future crop yields, as well as ethanol yield per bushel of grain and per ton of biomass. Another example is EPA’s very conservative assumptions on the amounts and types of conventional feed replaced by distillers grains.
  - **Peer review.** We understand EPA’s lifecycle analysis is being peer reviewed. This is encouraging and we look forward to those reviews being made public. However, we strongly encourage EPA to provide reviewers with other independent studies and analyses that will help place the EPA lifecycle analysis in context and provide a holistic view of the debate over indirect effects.
2. **Petroleum baseline.** EPA’s analysis for RFS2 compares the carbon intensity of 2022 ethanol to 2005 average gasoline. By anchoring baseline petroleum fuels in the year 2005, EPA does not account for the fact that ethanol is reducing and delaying the need for gasoline from marginal, high carbon sources of crude oil, such as Canadian tar sands and Venezuelan extra heavy crude.
  3. **No indirect GHG emissions considered for oil.** While biofuels are penalized for purported indirect GHG emissions from land use change under EPA’s lifecycle analysis, it appears indirect GHG emissions are not considered in the calculation of the 2005 petroleum baseline. Thus, EPA’s analysis fails to make an apples-to-apples comparison between biofuels and petroleum.
  4. **No mechanism for site-specific lifecycle analysis.** No two bio-refineries are the same. Yet, EPA analyzed a limited number of ethanol production pathways and appears to assume all bio-refineries will “fit” into one of the pathways. We prefer a system that allows new ethanol facilities that don’t necessarily conform to one of the established pathways to demonstrate the carbon footprint of their operation via site-specific lifecycle analysis.
  5. **Renewable biomass definition.** The RFS2 proposal requires ethanol producers to obtain documentation verifying that their renewable biomass feedstock came from “existing cropland” and not from land cleared or cultivated after enactment of EISA. Because grain is highly fungible and commodities markets involve many distributed buyers, sellers and intermediaries, this provision and proposed alternatives would be overly burdensome and costly to both ethanol producers and farmers with little or no regulatory benefit. It is *highly* unlikely that new cropland will be needed to meet the industry’s feedstock needs under RFS2.

6. **Registration, recordkeeping and reporting.** The proposal includes a multitude of new registration, recordkeeping, and reporting requirements for biofuel producers, including possible on-site engineering reviews by a certified Professional Engineer. Many of these new requirements (which also include renewable biomass verification records and submission of RIN pricing information to EPA) appear to offer little or no regulatory benefit and are not thoroughly justified in the proposal.
7. **Renewable Identification Numbers (RINs) Equivalency Values.** EPA is proposing several changes to the RIN program established as part of the current RFS program. Because there are now “nested standards” for various biofuels, we support the removal of the equivalence values established under the current RFS program and favor the option of all liquid renewable fuels being counted based strictly on measured volumes.
8. **Grandfathering.** EPA’s draft rule solicits comments on several alternatives to the proposed grandfathering provision. While we are generally supportive of EPA’s basic grandfathering approach, we are strongly opposed to alternatives that set an expiration date of the grandfather period for existing facilities.
9. **“Blend Wall” Issues.** The RFS2 proposal discusses various legal, practical and economic issues associated with overcoming the E10 Blend Wall. We support redefining “substantially similar” to facilitate an immediate allowance for the use of blends up to E12 or E13 in conventional automobiles and existing gasoline infrastructure. At the same time, we support continued research on higher level blends like E15 and E20, as well as initiatives to expand the availability and use of E85.
10. **Effective Date.** EPA is proposing that the RFS2 program begin on Jan. 1, 2010, but is taking comment on delaying the start of the program until Jan. 1, 2011. To ensure ample time to get the program right, respond to meaningful stakeholder comments, and also to provide producers enough time to adequately prepare, RFA supports a proposed implementation date of Jan. 1, 2011.
11. **Economic Impact Analysis.** EPA’s analysis of the economic benefits of the RFS2 program relies on a scenario where average crude oil prices are \$53 per barrel by 2022. This price projection for crude oil is much lower than other forecasts and, as a result, ethanol’s proven ability to reduce gasoline prices is likely underestimated by EPA. While EPA modeled a sensitivity case with higher oil prices, the base case is inconsistent with other long-term price forecasts. The impact of the RFS2 program on crude oil imports also appears to be largely understated when compared to other analyses.

These comments and many others will be covered in much more detail in our forthcoming written comments. I sincerely appreciate the opportunity to comment and look forward to your questions.

Thank you.