

2021 & 2022 RFS Standards: Reflect Market Realities and Support Program Stability

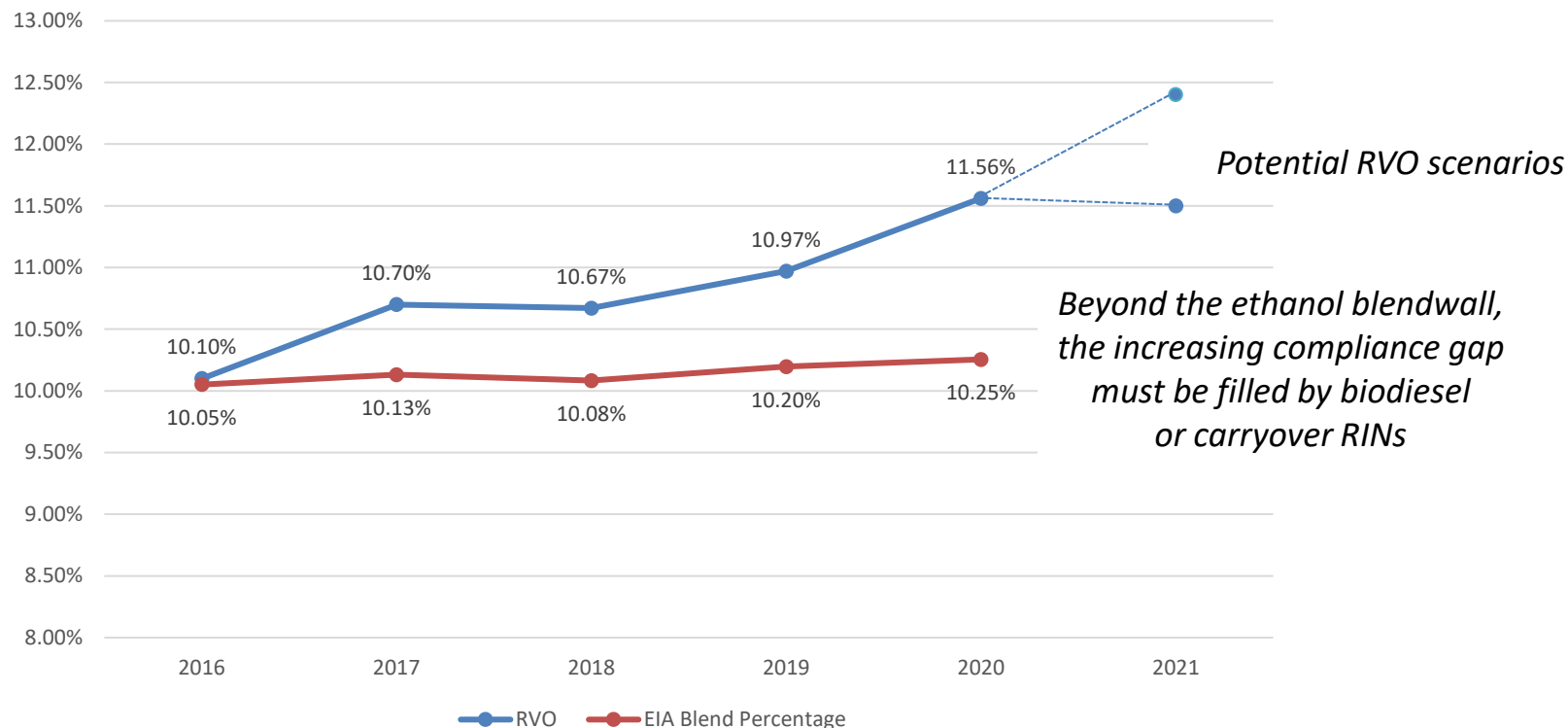
- EPA needs to use its General Waiver or Reset authority to reduce the 2021 & 2022 standards to ensure near term market and program stability.
 - It is not feasible to consume 15 billion gallons of ethanol in the domestic gasoline market.
 - EPA's cellulosic waiver authority is insufficient.
- The impact of exceeding the blendwall is significant:
 - Uncertainty concerning longer term fuel demand
 - The cellulosic waiver will not be sufficient to reduce the total and advanced standards to a feasible level.
 - Higher RFS standards have not significantly increased ethanol use; biodiesel blending has increased to meet compliance obligations resulting in increased overall program costs.
 - There is significant risk of depleting the RIN bank

2021 & 2022 Compliance Percentages

- Reducing percentage standards below the 2020 level is necessary
 - The 2020 standards included SRE Reallocation and relied on a larger RIN bank
- Key factors that could exacerbate challenges associated with high percentage standards:
 - Small refinery exemption (SRE) policy
 - Limited effectiveness of the cellulosic waiver due to:
 - potential increase in the cellulosic volume standard
 - higher statutory advanced biofuel volume in 2022
 - Gasoline and diesel demand reductions since 2019
 - 2016 Remand volume
- There is significant risk of depleting the bank of carryover RINs.
 - Retirement of carryover RINs should not be considered as a viable mechanism to meet infeasible RFS standards
 - Intended to ensure market liquidity and to help mitigate unexpected events
 - *"An adequate RIN bank serves to make the RIN market liquid" and "drawdown of the carryover RIN bank leading to a scarcity of RINs may stop the market from functioning in an efficient manner."* - Final Rule 12/18/2018

Compliance Percentages and Ethanol Use

- The implied 15-billion RIN volume for conventional biofuel can be satisfied by any renewable fuel, i.e., not a mandate exclusively for corn ethanol
- Historically, biodiesel has been used for compliance for volumes above the E10 blendwall
 - Increasing demand for imported biodiesel
- Increased RFS standards have not significantly increased ethanol use



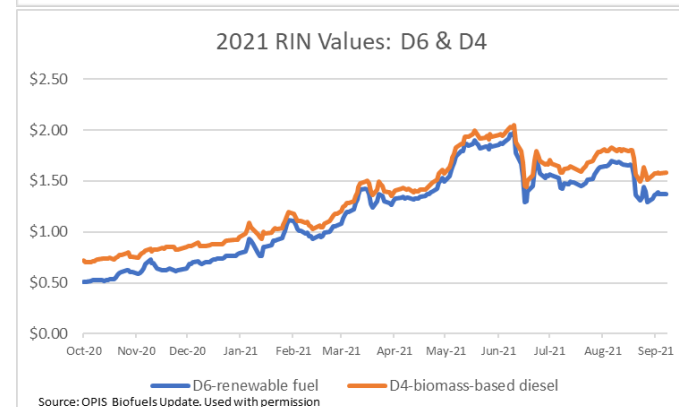
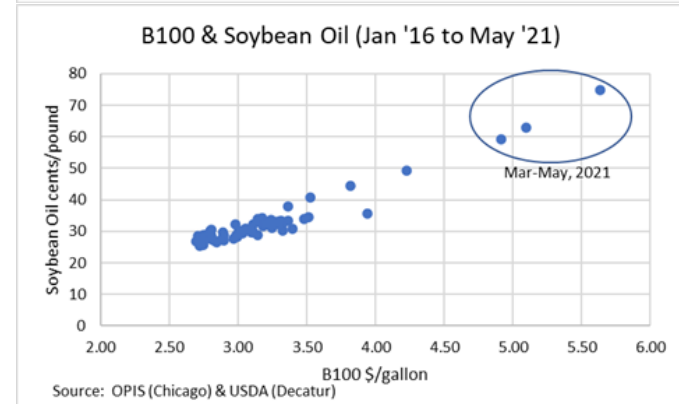
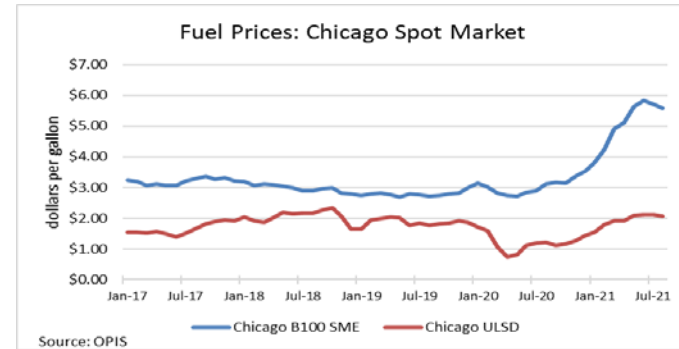
The High Cost of Biodiesel has Increased the Overall Cost of the Program

High percentage standards ultimately increase reliance on biodiesel to meet the implied 15-billion-gallon mandate

EPA should also not increase biomass-based-diesel standards in 2022

Domestic biodiesel production is constrained by feedstock availability

- EIA July STEO report: *“Despite RIN prices that have recently been at all-time highs, record-high feedstock costs are expected to limit biodiesel production growth over the forecast period.”*
- Incentives for domestic and imported biodiesel are already very high.



Small Refinery Exemptions (SRE) and Reallocation

- EPA should not reallocate SRE volumes
 - Regulatory text changes in the 2020 Final Rule should be reversed
 - (40 CFR 80.1405c - Definitions for terms *GE* & *DE* were changed to “*projected to be exempt*”)
- API supports the commitments EPA has publicly made on not continuing past policies on granting widespread SRE

2016 Remand

- DC Circuit court remanded the 2016 RFS Final Rule to EPA to address the 500 million RINs that were waived from the total renewable fuel volume standard.
- EPA should not increase the RVO based on the remand of the 2016 rule. There is no way to retroactively correct the volume of renewable fuel blended in 2016, and only accelerates the depletion of the RIN bank.
 - If EPA proceeds, it should apply the full volume of the 2016 cellulosic waiver to the total renewable fuel standard.
 - Full use of the cellulosic waiver in 2016 would have reduced the total renewable fuel standard by an additional 380 million RINs.
 - Therefore, 120 million RINs is the maximum adjustment that should be considered for the total renewable fuel standard in 2021.