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Office of Air and Radiation
U.S. Environmental Protection Agency
Committee on Homeland Security and Governmental Affairs
Subcommittee on Regulatory Affairs and Federal Management
U.S. Senate
June 18, 2015**

Statement

Chairman Lankford, Ranking Member Heitkamp and other members of the Subcommittee, I appreciate the opportunity to testify on the Renewable Fuel Standard (RFS) program and the EPA's recent proposal on RFS volume standards for all biofuel categories for 2014, 2015, and 2016, and the biomass-based diesel volume requirement for 2017.

The RFS program began in 2006 under the Energy Policy Act of 2005. The program's requirements were then modified by the Energy Independence and Security Act of 2007. EISA established new volume targets for renewable fuel, reaching a total of 36 billion gallons by 2022, including 21 billion gallons of advanced biofuels. The amended statute also included a number of new provisions, including greenhouse gas emission thresholds for qualifying biofuels. After an extensive notice and comment process, EPA finalized regulations to implement the EISA requirements. Those regulations went into effect in July 2010.

EISA requires EPA to publish annual standards for four different categories of renewable fuels: total, advanced, biomass-based diesel, and cellulosic. These standards apply to producers and importers of gasoline and diesel. On May 29, we issued a proposal that would establish the annual percentage standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuels that apply for years 2014 through 2016, and the applicable volume of biomass-based diesel that will be required in 2017. We will finalize these standards by November 30, at which

point we will have returned to the statutory timeline for issuing the renewable fuel standards.

EPA recognizes that the delay in issuing the standards for 2014 and 2015 has led to uncertainty in the marketplace. This proposal establishes a path for ambitious, responsible growth in biofuels, and helps provide the certainty that the marketplace needs to allow these low carbon fuels to further develop.

Before I provide more detail on the proposal, I'd like to describe this Administration's overarching policy perspective with respect to fuels and the transportation sector. This perspective informs our implementation of the RFS.

The transportation sector accounts for nearly one third of domestic GHG emissions. This Administration has already taken a series of historic steps to reduce these emissions from cars and trucks through our national car and truck GHG and fuel economy standards. Making cars and trucks more efficient is a critical piece of the puzzle, but another important piece is lowering the carbon intensity of the fuels they burn. Congress recognized this fact in establishing the RFS program, which aims to increase the volumes of renewable fuels that are used in the U.S. transportation system every year.

When Congress passed the RFS provisions, it set annual targets for biofuel use that increase every year. It also included tools - known as the waiver provisions - for EPA to use in the event that it determined the statutorily prescribed volumes could not be met.

Biofuel use over the past decade has increased significantly, especially for ethanol and biodiesel, and recently we have seen important developments in cellulosic biofuel production. This is very encouraging, because cellulosic biofuels are the biofuels that have the lowest lifecycle GHG emissions profiles. Most of the growth in the Clean Air Act's biofuel targets for 2015 and beyond comes from these advanced

biofuels, and this Administration is committed to doing what we can to support such fuels.

Our recently issued proposal seeks to ensure that the growth of renewable fuel production and use continues – consistent with Congressional intent. It uses our waiver authority, in a judicious way, to establish ambitious but responsible and achievable standards.

The proposal addresses three years' worth of standards, and would set the volume requirement for biomass-based diesel for a fourth year. For 2014, we are proposing standards at levels that reflect the actual amount of biofuel used domestically in 2014. For 2015 and 2016 – and for 2017 for biomass-based diesel – the proposed standards would provide steady increases over time. The proposed volumes reflect our consideration of two essential factors: first, that the market can respond to ambitious volume targets, and second, that there are limits today to the amounts of volumes that can be supplied to consumers. The steadily increasing volumes that we have proposed mean that biofuels will remain an important part of the overall strategy to enhance energy security and address climate change. We are optimistic about the future of biofuels and think our proposal will put us on a pathway for steady growth in the years to come, just as Congress intended.

Many of our stakeholders, and indeed many in Congress, rightly want to know why the volume targets established in the statute cannot be reached. There are several reasons: slower than expected development of the cellulosic biofuel industry and the resulting shortfall in cellulosic biofuel supply, a decline in gasoline consumption rather than the growth projected in 2007, and constraints in supplying certain biofuels to consumers – ethanol at greater than 10 percent of gasoline, in particular. Our proposal includes a discussion of this last constraint, known as the “E10 blend wall.” If gasoline demand continues, on average, to trend downward or remain flat, increasing the amount of ethanol used in the fuel pool will require significantly greater use of gasoline blends with higher ethanol content. Examples are blends of 15 percent ethanol in

gasoline, or E15, and blends of up to 85 percent ethanol, or E85, both of which can be used in Flexible Fuel Vehicle (FFVs). EPA has taken steps to pave the way for increased use of higher-level ethanol blends, including granting partial waivers for the use of E15 in certain light-duty cars and trucks beginning with model year 2001. USDA has also put resources into expanding ethanol fueling infrastructure. At the same time, EPA recognizes that there are real limitations in the market to the increased use of these fuels, including current near term limits on fueling infrastructure.

Our proposal aims to balance two dynamics: Congress's clear intent to increase use of renewable fuels over time to address climate change and increase energy security, and real-world circumstances – such as the E10 blend wall – that have slowed progress towards such goals.

Thus, we are proposing standards that will still drive growth in renewable fuels at an ambitious, but responsible, rate. While we are proposing to use the authority Congress gave EPA to waive the annual volumes below the statutory levels, these proposed standards are directionally consistent with Congress' goals of increasing renewable fuel production and use over time. The proposed 2016 volumes would require significant growth in renewable fuel production and use over historical levels.

For 2016, we are proposing numbers to incentivize real growth in the market:

- The proposed 2016 standard for cellulosic biofuel – those fuels with the lowest GHG emissions profile – is more than 170 million gallons (6 times) higher than the actual 2014 volumes.
- The proposed 2016 standard for total renewable fuel is nearly 1.5 billion gallons more, or about 9 percent higher, than the actual 2014 volumes.
- The proposed 2016 standard for advanced biofuel is more than 700 million gallons – 27 percent – higher than the actual 2014 volumes.
- Biomass-based diesel standards grow steadily over the next several years, increasing every year to reach 1.9 billion gallons by 2017 – 17 percent higher than the actual 2014 volumes.

We believe that the proposed volumes are achievable, and consistent with Congress's clear intent to drive renewable fuel use up, even as we use the authorities that Congress provided EPA to manage the program responsibly.

EPA has taken other steps to improve the administration of the RFS program. We have improved the quality, transparency, and efficiency of our petition review process for new biofuel pathways that can count under the RFS program. These improvements to our pathways review process are already making a difference. Since launching the new Efficient Producer process on September 30, 2014, EPA has approved over 30 petitions for efficient corn ethanol plants with an average review time of less than 2 months. Compared to our previous performance, we have reduced our processing time for similar petitions by 80%, and we are continuing to work toward shortening that time. Since announcing our streamlining initiative, we have approved six new pathways for second generation biofuels. We have also published Federal Register Notices inviting comment on three new potentially advanced feedstocks: biomass sorghum, pennycress, and carinata. These are in addition to the rulemaking we finalized last summer that clarified that certain fuels made from corn kernel fiber and biogas could generate cellulosic RINs.

Even as we propose these standards, it's important to remember that the RFS program is only one part of the overall picture for biofuels. Both USDA and DOE have programs looking at ways to support biofuels and biofuel infrastructure, and we work closely with them as we implement this statute. Companies across the country continue to innovate in this area.

EPA recognizes that both challenges and opportunities lie ahead for the sector. Introducing new fuels into the marketplace, especially advanced biofuels, is not an easy task. But that is the challenge that Congress took on with the RFS program, and we are committed to implementing the program in a way that responsibly pushes forward and grows renewable fuels over time, as Congress intended.

Going forward, EPA will continue to engage with our stakeholders and work in close consultation with the Departments of Agriculture and Energy. We will hold a public hearing on June 25th in Kansas City, Kansas, and we look forward to hearing from all stakeholders during the public comment period. We intend to finalize the rule by November 30 of this year – which will return the Agency to the statutory timeline for issuing RFS annual rules.

Again, I thank you for the opportunity to serve as a witness at this hearing for the Subcommittee.