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Statement

Chairman Inhofe, Ranking Member Boxer, and other members of the Committee, I appreciate the opportunity to testify on the Renewable Fuel Standard (RFS) program and the EPA's recent final rule setting the annual volume standards 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). EISA's stated goals include moving the United States toward "greater energy independence and security," and increasing "production of clean renewable fuels." 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, including working closely with our federal partners at the U.S. Department of Agriculture (USDA) and U.S. Department of Energy (DOE), EPA finalized regulations to implement the EISA requirements. Those regulations went into effect in July 2010.

EISA requires EPA to issue annual standards for four different categories of renewable fuels: total, advanced, biomass-based diesel, and cellulosic. These standards designate the percentage of each biofuel category that producers and importers of gasoline and diesel must blend into transportation fuel, heating oil, and/or jet fuel. On November 30, 2015, we issued a final rule to establish the annual volume standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel that apply for years 2014, 2015, and 2016. We also established the applicable volume of biomass-based diesel, commonly referred to as biodiesel that will be required in 2017. The Clean Air Act requires EPA to issue renewable fuel standards by November 30 of each year for the following year and 14 months in advance for the biomass-based diesel category.

With this final rule, EPA established volume requirements that will increase the amount of biofuel in the market over time, going beyond historic levels. The final standards provide for ambitious yet achievable growth—and strongly incentivize growth in advanced fuels that achieve substantial greenhouse gas (GHG) reductions compared to the transportation fuels they replace. When Congress passed the RFS provisions, it set annual targets for renewable fuel use that increase every year through 2022. It also included tools, known as the waiver provisions, for EPA to use to adjust the statutory targets in specified circumstances, including where 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 the production of advanced renewable fuels, including cellulosic biofuel production. This is encouraging, because cellulosic biofuels are the biofuels that have the lowest lifecycle GHG emissions. Most of the growth in EISA's renewable fuel targets for 2015 and beyond comes from these advanced cellulosic biofuels. We are committed to doing what we can to encourage and support production and blending of such fuels to maximize reductions in greenhouse gases.

Our recently issued final rule seeks to ensure that the growth of renewable fuel production and use continues – consistent with Congressional intent. It uses the waiver authorities, in a judicious way, to establish ambitious but responsible and achievable standards. The final rule addresses three years’ worth of standards, and sets the volume requirement for biomass-based diesel for a fourth year. For 2014 and 2015, we finalized standards at levels intended to reflect the actual amount of biofuel used domestically. For 2016 – and for 2017 for biomass-based diesel – the standards we have finalized through use of waiver authorities provide for significant increases over past levels. The final 2016 volumes for total and advanced renewable fuels 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 volumes that can be supplied to consumers.

Many of our stakeholders, and indeed many in Congress, rightly want to know why some of 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 final rulemaking includes a discussion of this last constraint, known as the “E10 blend wall.” If gasoline demand is flat or trends downward, increasing the amount of ethanol used in the fuel pool will require significantly greater use of fuels 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, which can be used in flexible fuel vehicles (FFVs). EPA has taken steps to enable the 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 currently are real limitations in the market to the increased use of these higher ethanol content fuels, including current near term limits on fueling infrastructure.

Our final rule balances two dynamics: First, Congress's clear intent to increase use of renewable fuels over time to address climate change and increase energy security. And second, real-world circumstances, including slower than expected growth in the development of the cellulosic industry, and the E10 blend wall, which have slowed progress towards such goals. The standards we finalized for 2016 will continue to spur growth in renewable fuel use. Overall, this final rule requires that total renewable standards grow by more than 1.8 billion gallons from 2014 to 2016. That's 11 percent more biofuel than the market produced in 2014. The final 2016 standard for cellulosic biofuel – the fuel with the lowest carbon emissions– is nearly 200 million gallons, or 7 times more, than the market produced in 2014. For advanced biofuel, the 2016 standard is nearly 1 billion gallons, or 35 percent, higher than the actual 2014 volumes. In addition, the biodiesel standards also grow steadily over the next several years, increasing every year to reach 2 billion gallons by 2017. That's 23 percent higher than the actual 2014 volumes.

We believe that these volumes are achievable, and consistent with Congress' 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 50 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.

Even as we finalize these standards and look towards 2017, 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 supporting biofuels and biofuel infrastructure, and we work closely with them as we implement this statute.

EPA recognizes that both challenges and opportunities lie ahead for the renewable fuel sector. Introducing new fuels into the marketplace, especially cellulosic 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. And in doing so, we will continue to engage with our stakeholders and work in close consultation with USDA and DOE.

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