STATE OF GEORGIA

OFFICE OF THE GOVERNOR

ATLANTA 30334-0900

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GOVERNOR

December 9, 2013

Administrator Gina McCarthy
U.S. Environmental Protection Agency
Room 300, Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

RE: Petition for Waiver Under the Clean Air Act Section 211(o)(7)(A)

Dear Administrator McCarthy:

The Renewable Fuel Standard (RFS) was established by the Energy Policy Act of 2005, and expanded by the Energy Independence and Security Act of 2007. It requires that fuels sold in the U.S. contain 36 billion gallons of renewable fuels by 2022. Each year the mandate for renewable fuels increases, and in 2014, 18.5 billion gallons of renewable fuels must be blended, 14.4 billion of which will be met with corn-based ethanol.

The goals behind the RFS were well-intentioned, but in 2007, the energy market and our nation's energy landscape were very different than today. The RFS was designed to reduce greenhouse gas emissions, make our nation more energy secure, and provide a reliable domestic source of energy that would lessen energy imports from less stable regions. Today, we are closer to achieving all of those important goals, but not because of the RFS. The 21st century energy renaissance has driven our nation's CO2 emissions near a twenty year low, made us the number one producer of natural gas, and put us on track to become the world's largest producer of oil in the world. Meanwhile, the mandate is causing unintended harm to the U.S. economy.

Last year, 10 governors petitioned EPA to waive down the corn ethanol mandate due to severe economic harm to their states' livestock industry and the trickle-down impact to supporting industries and consumers. Under Section 211(o)(7) of the Clean Air Act, Congress explicitly authorized the Environmental Protection Agency (EPA) to waive down the RFS mandates, in whole or in part, where there would be either (1) an inadequate domestic supply or (2) severe economic harm. Despite the devastating effects of the worst drought in 50 years, EPA did not take action.

This year, we are faced with another challenge created by the RFS. While renewable fuel requirements are increasing yearly, gasoline demand in the U.S. is steadily declining. This dynamic has created the E10 blendwall - the point at which more renewable fuel is required to be blended than can be safely consumed in the United States, due to fundamental constraints imposed by fueling infrastructure and problems of gasoline engine incompatibility with increased ethanol blends. With a few exceptions, automobiles are built and warranted for a 10% ethanol blend, and the same goes for small engines, such as boats, lawnmowers, and motorcycles.

Because of the blendwall, the RFS limits the supply of gasoline and diesel fuel for U.S. consumption. Compliance with the RFS is demonstrated through Renewable Identification Numbers ("RINs"). In effect, RINs operate like permits to sell specific quantities of gasoline and diesel for U.S. consumption. The number of RINs available for compliance depends on the consumption of renewable fuels in U.S. transportation fuels. Therefore, as the RFS mandates exceed the ability of the underlying fuel supply and vehicle and infrastructure compatibility to accommodate additional amounts of renewable fuels, there will be a shortage of RINs for compliance (i.e., permits to sell gasoline and diesel). This will, in turn, limit supplies of gasoline and diesel for U.S. consumption, resulting in severe economic harm to consumers and the overall economy.

According to NERA Economic Consulting, there will be an inadequate supply of RINs to satisfy the various mandates of the 2014 RFS, forcing the overall reduction of supplies of gasoline and diesel for U.S. consumption. Therefore, NERA predicts that this reduction in supplies will create "an inadequate domestic supply" of gasoline and diesel fuel, resulting in "severe harm" across the U.S. economy. Indeed, NERA predicts that the blendwall would "include a $770 billion decline in GDP and a corresponding reduction in consumption per household of $2,700" by 2015.

Georgia is experiencing severe economic harm during this crisis, and important economic sectors in the state are in serious economic jeopardy. This harm is precisely of the type, character, and extent that Congress envisioned when it granted EPA authority to waive RFS applicable volumes in both the original RFS enacted in 2005 and the substantial revisions made to the law in 2007 by the Energy Independence and Security Act.

As Georgia's largest industry, agriculture accounts for over 15.7 percent of the state's economy in terms of sales and output and represents 11.2 percent of the state's value added production. Georgia agriculture has an annual impact of $68.9 billion on the state's economy and provides 380,000 jobs to citizens of the state. [1] Poultry and livestock are critically important components of the state's economy, representing over 50 percent of Georgia's farm gate value, while broilers alone account for over 40% of farm gate value. [2] From a national perspective, Georgia ranks first in broiler production and third in value of eggs

[1] Economic Importance of Food and Fiber in the Georgia Economy. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development. Brochure Series 05-02.

[2] Ag Snapshots: A Brief Focus on Georgia's Agricultural Industry. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development.

produced. For Georgia, the poultry industry alone accounts for over $20 billion in annual economic impact, and an estimated 98,000 jobs depend on poultry directly or indirectly.[3]

The poultry industry cannot operate their businesses profitably given these very high input costs. Forecasts are now for negative operating margins for poultry and a continued decline of broiler production in coming months. The National Chicken Council forecasts a five percent decrease in U.S. broiler production in 2013. It is reasonable to expect that the decrease in broiler production in Georgia will closely parallel the U.S. trends. The ripple effect of this decrease in production would have significant consequences for poultry farmers, poultry processors and allied industry in Georgia.

Due to the severe economic harm and inadequate domestic supply caused by the mandate as described above, EPA has the authority under Section 211(o)(7) to waive down the volumes required to be blended in 2014. The EPA took a step in the right direction when it acknowledged the blendwall and exercised this authority in the proposed 2014 RFS volumes rule by waiving the volumes to just below 10 percent ethanol. EPA must still finalize the 2014 RFS volumes, and we strongly urge EPA to stay the course and remain steadfast in its resolve to avoid the blendwall and a dangerous economic situation by keeping the volumes below 10% ethanol. I respectfully request that you act within the immediate future to exercise your authority to mitigate the economic harm occurring in Georgia and across the country. Thank you for your consideration.

Respectfully submitted,

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[3] Economic Importance of Poultry and Eggs in Georgia. University of Georgia, College of Agricultural and Environmental Sciences, Center for Agribusiness and Economic Development. Brochure Series 05-02.