

## **EXPANDING GROWTH OPTIONS FOR ETHANOL USE**

PMAA members own or supply gasoline to 100,000 U.S. retail gasoline locations. In recent years, Congress and the President have taken major steps to change our nation's energy future by fostering the development of home-grown alternative fuels. The Energy Independence and Security Act of 2007 (EISA) (Pub. Law 110-40) requires the motor fuel supply to contain 36 billion gallons of ethanol and advanced biofuels by 2022 (known as the renewable fuel standard (RFS)).

Biofuels like ethanol and biodiesel have a variety of impacts on the economy and the environment. PMAA supports the use of renewable fuels in gasoline and distillates and many of our member companies are supportive of expanded use of ethanol, but regulatory and legal barriers must be overcome in order to protect petroleum marketers, retailers and consumers.

### **THE ETHANOL "BLEND WALL"**

EISA requires 12.95 billion gallons of renewable fuels in the nation's fuel supply for 2010, 13.95 billion for 2011 and 15.2 billion for 2012. In most regions of the country, ethanol blends may contain up to 10 percent ethanol which is believed to pose no significant problems to existing gasoline dispensing and storage infrastructure.

Here is where the "blend wall" comes into play. The nation consumes approximately 145 billion gallons of gasoline each year and approximately 120 billion gallons are subject to the RFS ethanol blending formula. Even if every gallon of gasoline included in the RFS were blended with 10 percent ethanol, refiners would hit the "blend wall" around 12 billion gallons. Refiners are expected to hit the ethanol "blend wall" between 2011 and 2012 (at current 10 percent ethanol blended consumption).

EPA has been petitioned by the ethanol industry (Growth Energy) to solve the "blend wall" dilemma by permitting ethanol blends up to 15 percent (E15). Increasing gasoline blends from E10 to E15 could solve the "blend wall" issue but it creates other problems that would need to be resolved. In December 2009, Growth Energy's waiver application to allow E15 blends was denied by EPA. EPA said the decision must be delayed until additional testing is completed on the effects of E15 use on conventional fueled vehicle engines and emission systems.

It is likely that EPA will approve, but not mandate, an E15 fuel by August 2010 for vehicles manufactured in 2001 and beyond. PMAA member companies are concerned about the potential conflicts with existing laws and regulations and, with possible equipment damage and liability, if EPA approves the new fuel.

## **If Congress truly wants to expand ethanol use, regulatory and legal barriers surrounding E15 must be addressed:**

- Gasoline retail infrastructure equipment is certified to dispense and store up to 10 percent ethanol by Underwriters Laboratories (UL). Although UL has expressed "confidence" that most retailers can safely sell up to 15 percent ethanol blended gasoline, they have not actually "certified" existing dispensers, piping or underground storage tanks for such use. This is a major obstacle because several federal regulations, state laws, local ordinances and insurance policies require UL certified equipment. Retailers who decide to sell E15 could be held liable to pay for cleanup costs if a leak occurs due to the increased ethanol blends, and insurance companies may deny coverage.
- Auto manufacturers extend warranties on existing vehicle fleets up to 10 percent ethanol. They have not been willing to amend their warranties to handle blends above 10 percent. Even if EPA approves E15 for use in model year vehicles 2001-present, the auto manufacturers have indicated that they are not likely to amend their warranties, arguing that further testing needs to be completed.
- Marketers also need misfueling protection. Manufacturers of small engines, such as boats, lawn mowers, and chain saws, believe E15 will overheat and damage small engines. Retailers will surely be ensnared in litigation if the small engines are damaged. Small engines are only certified to handle up to 10 percent ethanol. It is not likely that small engine manufacturers will amend their warranties to handle blends above 10 percent.

### **“THE ASK”**

Congress and EPA must provide legal and regulatory certainty to retailers if E15 is to be approved for use. Currently, PMAA is researching and developing legislation to reduce the legal and regulatory barriers which limit retailer abilities to sell E15. PMAA welcomes members of Congress participation in developing this important legislation. Absent legal and regulatory certainty for E15, very few retailers, if any, will be able to legally sell E15 which will hinder the expansion of ethanol use in the U.S.

**PMAA STAFF CONTACT:** Sherri Cabrera, [scabrera@pmaa.org](mailto:scabrera@pmaa.org)  
Rob Underwood, [runderwood@pmaa.org](mailto:runderwood@pmaa.org)