Renewable Fuel Standard (RFS) REFORM

BACKGROUND

PMAA supports reduction in the volumetric mandate for ethanol in the renewable fuel standard (RFS) to prevent the introduction of E15 (gasoline with 15 percent ethanol content) at the retail level. In order to achieve such reductions, PMAA supports limiting the ethanol mandate under the RFS to a volume no greater than 9.7 percent of projected customer demand as determined by the Energy Information Administration (EIA). Limiting the RFS volumetric mandate to 9.7 percent of consumer demand will maintain the per gallon ethanol content at the current E10 level (10 percent ethanol).

A de facto E15 mandate through the RFS annual volumetric blending mandates would cause great harm to small business petroleum marketers, the consuming public and ultimately the ability to supply gasoline to retail outlets without interruption nationwide.

THE E15 PROBLEM

An E15 mandate is bad for small business petroleum marketers, consumers and gasoline supplies for two important reasons:

- **Non-compatibility:** E15 is not compatible with most underground storage tank (UST) system components currently in use today, except for some of the tanks. The components most vulnerable to the corrosive effects of E15 are the glues and sealants that hold the UST system together and prevent leaks. State and federal laws and regulations require retailers to prove that E15 is compatible with the UST systems. However, it is impossible to prove E15 compatibility without a total UST system retrofit since most equipment in the ground today is only certified to a maximum E10 blend. UST system retrofit is not an option because; the $100,000 plus per site capital expenditure is out of reach for most retailers; the downtime for retrofitting retail sites would limit gasoline supply and raise prices at the pump; and there are not enough equipment or vendors available to retrofit the majority of retail gasoline stations nationwide.

- **E15 Marketing Confusion:** Large, vertically integrated multistate blender/retailers are able to supply E15 at a significant discount to the retail outlets they own and operate. These large retailers are able to do this by generating credits from blending ethanol which they sell to refiners who need them to meet their annual RFS volumetric blending requirements. Large retailers pass down the money earned from selling blending credits to their retail outlets in the form of a per gallon price reduction that their small business competitors cannot match. Since consumers largely avoid E15 due to engine performance concerns, large retailers have turned to confusing marketing techniques that mask the 15% ethanol content in the blend. As a result, consumers who think they are buying regular unleaded E10 gasoline at a discounted price are actually purchasing E15 with 33% lower energy content. The combination of unique price reduction ability and confusing marketing techniques creates an unlevel playing field upon which small business retail marketers cannot compete.

RFS REFORM EFFORTS

PMAA believes the solution to the E15 problem is best met through reform of the RFS itself.

*The Food and Fuel Consumer Protection Act (H.R.2540)*
PMAA supports H.R. 2540, *The Food and Fuel Consumer Protection Act*, introduced by Rep. Bill Flores (R-TX) and Peter Welch (D-VT). H.R. 2540 would set the maximum volume of ethanol content in gasoline at 9.7 percent of projected gasoline demand as determined by the EIA. The 9.7 percent limit is necessary because the 15-year gasoline demand projections (at E10 levels) used by Congress to determine annual volumetric ethanol blending mandates under the RFS were far too high. Due to the incorrect demand projection, no additional ethanol volume can be blended into the nation’s fuel supply without moving to an E15 blend. The Welch-Flores bill would link the ethanol content to consumer demand determined on an annual basis.

**THE ASK**

*(Committees: House Energy and Commerce; Senate Environment and Public Works; All lawmakers)*

Continue to remind lawmakers that UST system compatibility issues with E10 plus blends exist and urge them to support “The Food and Fuel Consumer Protection Act” (H.R. 2540) that will protect motorists and allow all petroleum marketers to compete on a level playing field.

**PMAA RELATED E15 POSITIONS**

**Small Refinery Exemptions:** PMAA took a neutral position on whether small refinery exemptions under the RFS should be limited. However, PMAA opposes rolling over and reallocating the blending volumes exempted to subsequent annual blending mandates if the total volume would go beyond 9.7 percent of projected demand.

**E15 Marketing Practices Confusion:** To help mitigate misleading practices used to market E15, PMAA submitted a proposal to the National Conference on Weights and Measures requiring greater transparency for E15 branding and labeling practices.

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