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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 final rule setting the annual volume standards for 2017, and the biomass-based diesel volume requirement for 2018.

The RFS program began in 2006 under the Energy Policy Act of 2005, and was subsequently 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 annual volume targets for renewable fuel that increase every year to reach a total of 36 billion gallons by 2022, including 21 billion gallons of advanced biofuels. Congress also included tools, known as waiver provisions, for EPA to use to adjust the statutory targets in specified circumstances, including where the statutorily prescribed volumes could not be met.

The Clean Air Act 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, and must be issued by November 30th of each year for the following year and 14 months in advance for the biomass-based diesel category.

The EPA is committed to successful implementation of the RFS program, and the past year has been an active and productive one for the program.

One of our chief priorities has been timely issuance of the annual volume rules, and we have stayed on schedule for the 2017 rule, which we finalized just last week. The final rule incorporates the most up-to-date data available to us, and is informed by written stakeholder comments, by input provided during a public hearing held this year in Kansas City, Missouri, and by our consultation with the Departments of Energy and Agriculture.

The 2017 volume final rule established requirements for cellulosic, advanced, and total renewable fuel for 2017 and also includes a biomass-based diesel volume requirement for 2018. The 2017 final rule once again establishes ambitious but achievable targets for the RFS program, and becomes part of what is now a multi-year track record of growth. As finalized, total renewable fuel volumes would grow by nearly 1.2 billion gallons between 2016 and 2017. Advanced renewable fuel – which requires a minimum fifty percent lifecycle greenhouse gas (GHG) emissions reduction – would grow by nearly 700 million gallons from 2016 to 2017. While Congress did not establish specific goals for non-advanced (or “conventional”) biofuels, the established targets for total and advanced mean that conventional biofuels would reach 15 billion gallons. The 2017 final rule achieves that level.

Biomass-based biodiesel – which must achieve at least 50 percent lifecycle emissions reductions – would grow by at least 100 million gallons from 2017 to 2018, and the final 2018 standard is more than double the Congressionally-mandated minimum level of one billion gallons. Finally, cellulosic biofuel – which requires 60 percent lifecycle carbon emissions reductions – would grow by 81 million gallons, or 35 percent, between 2016 and 2017.

Beyond the volume rule, the Agency remains active in multiple other areas of the program, and I'd like to briefly mention two of them. On November 16, we published the "Renewables Enhancement and Growth Support" proposed rule, a collection of proposed revisions to the fuel regulations that will support market growth of advanced and other biofuels in the U.S. That proposal, among other things, would establish an updated regulatory structure that would allow biofuel producers to partially process renewable feedstocks at one facility and further process them into renewable fuels at another facility under existing pathways. This would improve the economics and efficiency for the production of biofuels, particularly advanced and cellulosic fuels that have lower GHG footprints. This proposal strongly reflects input we've received from many stakeholders in recent years and we are looking forward to people's comments.

The second thing to mention is that over the past year, EPA has received several petitions from RFS stakeholders asking us to change the point of obligation under the program. Currently, refiners and importers of gasoline and diesel are the regulated parties under the RFS program, and certain stakeholders have asked us to initiate a rulemaking to change the point of regulation to a point further downstream, such as blenders. We have had a lot of input on this issue from a wide range of stakeholders, with widely divergent views. On November 10, 2016, we issued a proposed denial of these petitions that examines this issue in depth and provides an opportunity for the public to provide comment to the agency. We encourage all stakeholders to review our assessment of this issue and provide comments and data to the agency.

On November 28, 2016, the Government Accountability Office (GAO) released two reports relevant to the RFS program, one of which focused on federal biofuel R&D efforts and one that looked more generally at challenges in implementing the RFS program. EPA provided GAO with responses to drafts of both reports, and those responses are included in GAO's final reports, which were made available to the public on November 28. Broadly speaking, the GAO's reports examine the challenges associated with reaching greater levels of advanced biofuel production and achieving Congress's GHG reduction targets. As we

discuss in our response letters, EPA agrees with many of the identified challenges, including limited production of cellulosic biofuels currently and limited potential for expanded cellulosic fuel production by 2022.

EPA recognizes that both opportunities and challenges 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.

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