Toledo, Ohio, Mayor Wade Kapszukiewicz and Oregon, Ohio, Mayor Mike Seferian have appealed to the Environmental Protection Agency (EPA) to secure relief for local refineries experiencing severe economic harm because of the Renewable Fuel Standard (RFS) — the federal law that requires refineries to pay to prove that ethanol is added to motor gasoline every year.

The RFS is a tremendous burden on all refineries. It costs billions of dollars every year to satisfy the law by either (1) purchasing ethanol and submitting credits to the EPA proving those purchases, or (2) purchasing second-hand credits from parties that blended ethanol directly. For many refineries, RFS credits are a top annual expense, often exceeding total employee payroll.

The Toledo metro area depends on local refineries for energy security, employment, and economic activity. Every dollar spent on RFS credits is a dollar that's not supporting refinery operations. Mayors Kapszukiewicz and Seferian are right to ask EPA to reduce RFS compliance costs, and their request echoes appeals from six governors seeking the same relief because of the severe economic burden RFS imposes nationwide.

In an economy devastated by COVID-19, where refineries are idling production, shuttering plants, and delaying restarts, scarce funds should not be wasted on the RFS. In fact, in this down market, RFS compliance is one of the few things becoming more expensive, with credit prices nearly quadrupling since January and hitting two-year highs this past week.

Ethanol lobbyists believe RFS credits need to be painfully expensive to force refineries to blend more ethanol directly. They are wrong. In fact, when ethanol is maxed out in gasoline, foreign biodiesel producers are the beneficiaries.

Official government data shows there is no correlation between expensive credits and ethanol blending. In 2019, credits were priced much lower than in previous years, but ethanol blending reached all-time highs. That's because blending terminals (which purchase unfinished fuel from refineries) add ethanol to almost all fuel in order to make finished gasoline that can be sold at retail. Refiners shouldn't have to buy second-hand credits for blending that is going to happen regardless.

RFS relief means less money will be wasted on regulatory bureaucracy. It does not mean less ethanol blending. Mayors Kapszukiewicz and Seferian are right.

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