The op-ed below originally appeared in the [Washington Examiner] on July 9, 2019.

In recent weeks, President Trump returned to Iowa to court U.S. farmers ahead of the official launch of his reelection campaign and to sign his much-anticipated rulemaking allowing year-round sales of E15, an unlawful action that the U.S. refining industry is challenging in court.

Instead of thanks, the ethanol industry responded to the president's gift with calls for even more. The ethanol industry's latest demand is for the president to eliminate lifelines used to help small refineries that experience disproportionate economic hardship from the Renewable Fuel Standard.

The lifelines I'm referring to are Small Refinery Exemptions. When Congress enacted the Renewable Fuel Standard, it was rightly concerned that the program might threaten the viability of small refineries and the employees and local communities that rely on them. To prevent this, Congress included a provision in the law that requires the EPA to exempt from the Renewable Fuel Standard small refineries that are disproportionately economically impacted. As the courts have said, this relief is not optional. Thus, it is not something that the president can bargain away to appease ethanol interests.

We appreciate Trump's desire to assist farmers, particularly those that have been negatively affected by Chinese tariffs. But the answer isn't to inflict more pain on small refineries and potentially drive them out of business by withholding Small Refinery Exemptions. No one wins under that scenario, not refiners, consumers, or farmers.

No one can credibly dispute that the Renewable Fuel Standard program is not working as originally envisioned, or that compliance costs have far exceeded initial projections. Small Refinery Exemptions are one of the few tools available to the EPA to keep costs in check for small refineries and consumers alike.

The ethanol industry has asserted that Small Refinery Exemptions have resulted in massive market destruction for ethanol. This is simply not true. Government data demonstrates that ethanol blending rates are steady and exports are at all-time highs. Ethanol is a preferred, low-cost octane booster, an attribute that would remain even without a mandate.

The issuance of Small Refinery Exemptions is a symptom of a larger problem: Current Renewable Fuel Standard mandates are unrealistic and do not comport with the realities of the fuel market. Nearly all gasoline today is blended with 10% ethanol, which equates to about 14.4 billion gallons of ethanol. The problem is that gasoline demand is much lower today than the government projected 14 years ago when the Renewable Fuel Standard was enacted, and so there are few places for the additional ethanol in the 15 billion gallon mandate to go. This is why the full requirement has yet to be met.

Many engines, including those in motorcycles, boats, lawnmowers, and most cars, cannot use ethanol blends greater than 10%. The fact that Renewable Fuel Standard mandates exceed realistic market limits has caused Renewable Fuel Standard compliance costs to skyrocket. And it has jeopardized the economic viability of a number of small refineries. If Renewable Fuel Standard mandates are set to realistic levels, Small Refinery Exemptions will become unnecessary, and there will be greater certainly for all.

Thus, if Trump wants to fulfill the promises he has made to farmers, the ethanol industry, refiners, and consumers, he should instruct the EPA to reset biofuel mandates to align with current market realities. This would provide market certainty and much needed relief, while still allowing the ethanol industry to thrive. Simply refusing to issue Small Refinery Exemptions would be no more than a rhetorical win for the ethanol industry, while causing significant harm to U.S. refiners and consumers.

Print as PDF:

Topics

[Fuel Policy]

[Biofuel & Ethanol]

Tags

[Small Refinery Exemption (SRE)]

[Renewable Fuel Standard (RFS)]

[E10]

[E15]

[Ethanol]