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July 27, 2015

The Honorable Barack Obama  
President of the United States  
1600 Pennsylvania Avenue, N.W.  
Washington, DC 20500

The Honorable Gina McCarthy  
Administrator, Environmental Protection Agency  
1200 Pennsylvania Avenue, N.W.  
Washington, DC 20460

Re: Docket ID No. EPA-HQ-OAR-2015-0111

Dear President Obama and Administrator McCarthy:

We write to strongly encourage you to revise and increase the proposed U.S. Environmental Protection Agency (EPA) Renewable Fuels Standard (RFS) volume obligation levels to demonstrate your continued commitment to growing the production and use of renewable fuels and revitalizing the economy in rural America. A robust RFS is needed to provide the Federal policy predictability that rural America needs to continue investments in renewable fuels that diversify our nation's energy portfolio, reduce transportation emissions, provide value-added opportunities to various bio-stocks, give consumers lower-cost choices at the fuel pump, and create good paying jobs that empower rewarding careers.

We recognize that you made some positive changes for the biodiesel levels in the recent proposed rule; however, we remain concerned that the proposed biodiesel volumes for 2016 and 2017 fail to adequately recognize the domestic biodiesel industry's production capacity and underestimate the biodiesel industry's ability to increase production beyond current capacity. Specifically, we urge the EPA to increase its biomass-based diesel targets to at least 2 billion gallons for 2016 and at least 2.3 billion gallons for 2017 in the final rule.

Regarding ethanol, the recent EPA proposal falls far short. The agency seems to contradict recent findings from EPA's Office of Transportation and Air Quality on the ability of the Renewable Identification Number (RIN) market to grow the consumption and use of biofuels. That study by the EPA states, "...the RIN market seems to be functioning generally as expected; providing an incentive for the continued growth of renewable fuels in the transportation fuel market without causing overall increases to the retail price of transportation fuel." We strongly believe that the EPA is not responding to an infrastructure shortage for higher ethanol blends with this proposal, but rather the EPA is creating such a shortage. A strong RFS provides the incentive for retailers to offer higher ethanol blends to consumers. By reducing the RFS volume obligation levels, the EPA reduces that incentive. When consumers have true choices at the pump, the "blend wall" will crumble. Further, we understand that the ethanol industry's "run rate" has surpassed 15 billion gallons on numerous occasions in 2015, according to the Department of Energy. As such, the statutory RFS levels of 15 billion gallons could be readily met in both 2015 and 2016, especially when ethanol stocks and RIN stocks are also taken into consideration. In addition, properly accounting of RIN retirements for exported ethanol and non-compliance purposes would lead to a significantly higher RVO for 2014. When the errors committed by EPA regarding accounting of RIN retirements for ethanol exports are corrected, EPA's determination of 2014 RINs "available for compliance" with the 2014 standards should increase to approximately 13.62 billion RINs—nearly 400 million RINs above the proposed RVO of 13.25 billion gallons. This significant error has important ramifications for the

subsequent years (2015 and 2016) in EPA's proposed rule. The gradually increasing RFS levels remain an important part of diversifying our nation's transportation fuels, reducing carbon emissions, and lowering fuel costs at the pump.

State leaders also call on the EPA and Federal leaders to eliminate summer blending restrictions for E15 that impose a significant artificial barrier for consumers to access E15 in the summer months by granting the one pound waiver to equalize the vapor pressure regulations for E10 and E15. Further, we call on Federal leaders to investigate restrictive branded oil contracts that out-right prohibit the sale of E15 or make it so cumbersome or costly to offer a non-petroleum controlled product. Further, the EPA should replace the use of harmful aromatics with use of cleaner burning ethanol.

The State of Iowa has consistently supported growth of the renewable fuels industry and that strong and stable support laid the foundation for Iowa to lead the nation in ethanol and biodiesel production. Recently the State of Iowa submitted an application for the USDA's Biofuels Infrastructure Program (BIP) to build on the Iowa Renewable Fuels Infrastructure Program. The new BIP-supported program, as outlined in the State of Iowa proposal, would increase blender pumps and E85 stations in Iowa by over 50%. In short, Iowa continues to advance consumer access to renewable fuels, but steady growth in the volume obligation levels is the best way to achieve improved consumer access.

State leaders recently traveled to Kansas City, Kansas, to testify on the shortcomings of the proposed rule. This was only the most recent example of State of Iowa leaders actively engaging on this issue, which is so important to a healthy economy in rural America. Another example came in January 2014, when we hosted the "Hearing in the Heartland" in cooperation with the entire Iowa congressional delegation, state leaders, interested citizens and community leaders from across the Midwest. At this open forum where all interested citizens were invited to present, we heard from 83 panelists from across the Midwest that spoke from the heart about the importance of the RFS to their livelihoods and a healthy rural economy; only two individuals presented in opposition to a robust RFS. There remains a strong consensus in the Heartland for the EPA to reverse course on the most recent proposal and reject Big Oil's arguments and attempt to get rewarded for bad behavior. The use of biofuels in the Midwest has continued to grow and we are confident that this trend can extend nationally. The RFS as enacted, was one of the best recent examples of a Federal policy success, because of the policy predictability it provided to nurture growth and innovation.

As state leaders, we are keenly focused on helping create a business and public policy environment that drives job growth throughout the State – in communities both large and small, urban and rural. We share the concerns of many Iowans and citizens throughout the Midwest that the EPA's current proposal will undermine our shared goal of a healthy economy in rural America and abandon the various public policy benefits that flow from the RFS. For decades, the agricultural economy lurched from crisis to crisis and farmers often depended on government subsidies to stay afloat. The RFS helped brighten the future of the agricultural and biosciences sectors by providing a stable policy framework that gives value-add opportunities for various agricultural commodities, while helping reduce transportation emissions – a true win-win. In recent years, there has been renewed interest in agriculture among young people given the hope that follows stable policy, innovation, and technological advancement. There has been a softening in the agriculture economy recently – a sector of the economy that had previously been a bright spot in the national economy. Unfortunately, the Federal policy uncertainty and indecision has jeopardized the health of the economy in rural America. If the EPA's currently proposed rule becomes final, the negative impact would be disproportionately felt by rural America. The EPA's proposed rule and decision has already caused a ripple effect on agri-businesses, our communities, and the entire economy. Despite Big Oil's attempt to pollute the public discourse, corn prices are approximately \$3.50 per bushel, down significantly from the 2012 drought levels of \$8 per bushel.

Ethanol is perhaps the most unfairly maligned product in the nation due to the millions of dollars of negative marketing and lobbying by Big Oil. One example comes in the food versus fuel argument. If this

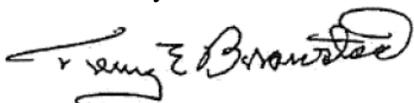
argument was true, then why have food prices not plummeted now that corn is less than half the price it was during the drought? Renewable fuel critics often ignore the fact that a modern dry-mill ethanol refinery produces 17.5 pounds of highly valuable DDGs from one bushel of corn which is utilized by cattle producers throughout the Midwest – a fact that has helped grow cattle production in the Midwest. In addition, thanks to the productivity of America’s farmers and the innovation in the agricultural and renewable fuel sectors, we can both feed and fuel the world.

If the EPA’s proposed rule stands, consumers across America would be limited in their choices at the pump. When consumers have choices, like they do in Iowa, they choose ethanol and other biofuels. The oil companies are preventing fuel choice in other parts of the country and consumers lose, paying much more for fuel. The Iowa Department of Revenue tracks biofuels sales and the data is clear – when given the choice, Iowans choose biofuels. Consumer purchases of E85 (85% denatured ethanol fuel and 15% gasoline) in Iowa continue to increase – growing from 9.12 million gallons in 2012 to 11.15 million gallons in 2013, to 12.08 million gallons in 2014 – a growth of nearly 33% in that period according to Iowa Department of Revenue data. Total B100 (100% biodiesel) sales in Iowa have expanded from 7.4 million gallons in 2010 to 33.3 million gallons in 2014. In 2010, the average blend level of biodiesel-blended gallons sold in Iowa was 3.1 percent and by 2014, the average blend level had more than tripled to 9.4 percent. Big Oil does not like competition – but American consumers deserve and demand choices at the fuel pump.

Enclosed we provide references to recent data analyses that we believe provide you the opportunity and obligation to refine the draft EPA proposal and grow the volume obligation levels. Also, we have enclosed a document entitled “State of Iowa RFS Proposal Comments: Legal Concerns, Current Data and Perspective from the Heartland” which shares legal concerns on the EPA proposal, sources for relevant recent analyses, and perspectives of citizens from across the Midwest.

We urge your Administration to use its regulatory authority in a manner that both supports a growing renewable fuels industry and meets the statutory requirements of the law. We hope you will protect the RFS, renew your commitment, and stand strong along with us, consumers, and agricultural producers in supporting American-made renewable fuels.

Sincerely,



Terry E. Branstad  
Governor of Iowa



Kim Reynolds  
Lt. Governor of Iowa



Bill Northey  
Iowa Secretary of Agriculture



Debi Durham  
Director, Iowa Economic  
Development Authority



Paul Trombino III  
Director, Iowa Department  
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Chuck Gipp  
Director, Iowa Department  
of Natural Resources

cc: The Honorable Tom Vilsack, Secretary, U.S. Department of Agriculture  
The Iowa Congressional Delegation