



OFFICE OF THE GOVERNOR

Kim Reynolds
GOVERNOR

October 16, 2017

The President
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear Mr. President:

We appreciate your repeated commitments to support rural America. We, and millions of our citizens, were drawn to your passionate support of the Renewable Fuel Standard (RFS) and to your explicit promises to our farmers that you would support investments in fuels like biodiesel and ethanol through the RFS.

We write to you now, though, because we are concerned--concerned about where the EPA's proposed implementation of RFS policy is heading, and concerned about what that will do to our renewable fuel producers, farmers and rural economy.

Since his appointment, Administrator Scott Pruitt has been willing to engage us on issues that are important to our states. We are thankful for that, and we appreciate his willingness to listen. Recently, though, the EPA has taken unprecedented action and sent signals that it is moving towards a policy that diverges from your commitment to the RFS and rural America.

Two weeks ago, the EPA requested comment on whether it should further reduce the total, advanced and biomass-based diesel volumes beyond the recently proposed (and ill-advised) cuts to the 2018-19 RFS volumes. The EPA also signaled its intent to waive the biomass-based diesel volume for 2018 that it set almost a year ago. That indicates a willingness to upend a decision producers and other stakeholders have already relied upon to make investments, contractual commitments, and create jobs.

These proposed actions threaten the livelihood of tens of thousands of American farmers and workers who rely on biofuels to support their livelihood. Indeed, every 500 million gallons of increased biodiesel production supports roughly 16,000 good-paying jobs in rural America.

To justify the reduction in the RFS biodiesel volumes, the EPA focuses largely on imports. The theory, as the EPA explains it, is that when setting the RFS volume, the EPA should focus on the

amount of domestic production and thus set the RFS volume blindly to what is imported into the US.

That is a significant departure from what's been done before (even under the Obama Administration) and if it takes effect, it will necessarily lead to the reduction of US production and the loss of thousands of jobs in rural America. That's because these imported volumes—while not counted when setting the RFS volume—*will still be part of the RFS program*, meaning that they will still generate RINS. And because foreign subsidies and other factors often make these imports cheaper than U.S.-produced biodiesel, foreign imports will stay steady while domestic production falls. In other words, by focusing on imports, the EPA will actually increase their prominence as a percentage of the industry. That's exactly backwards.

The EPA also seems concerned that the Department of Commerce *might* finalize duties on imports from two countries—Argentina and Indonesia—meaning that the illegal dumping will finally stop. While we hope that happens (the final decision is still pending) that is not a cause for reducing the RFS volume. Last year, domestic biomass-based diesel production and imports from *other* countries exceeded what the EPA is proposing for 2019 and what it has set for 2018. And we already know that at least 200 million gallons of new domestic production capacity will be coming on-line in the next year. So there's nothing to worry about in terms of domestic production capacity. It will be there; we promise you that, Mr. President.

The stated purpose of the RFS is to *grow* demand for biofuels—to push the industry to innovate. Far from pushing the industry, the EPA's proposals take us backwards. Cutting the biomass-based diesel volume set a year ago is not only unnecessary, it's highly disruptive, unprecedented and potentially catastrophic. In fact, the proposal alone has already driven commodity prices down, costing our farmers precious earnings and our communities critically needed revenue.

Lastly, news outlets have reported that EPA is considering allowing RINs from exported gallons of U.S. biofuel to be used to satisfy an obligated party's RFS requirement. The letter of the law requires the renewable fuel be used in the United States, and the spirit of the law is to expand consumer access to and use of renewable fuels in our country, as well as to strengthen our energy security. Finally, by incenting ethanol exports, the proposal runs counter to US trade commitments and could spark a trade war with Canada and other trading partners.

The practical impact of this proposal would be to set up a cannibalistic, zero-sum scenario that in effect would be no different than simply cutting the 15 billion gallon convention RFS level by the amount of ethanol exported. In effect, for every gallon exported there would be one less gallon used domestically. This is not the recipe for US energy dominance. What the EPA is reportedly considering would devastate the renewable fuels industry, increase the cost of fuel for consumers, remove the incentive to offer higher blends like E15, and gut the RFS for all practical purposes.

Mr. President, the Renewable Fuel Standard revitalized our rural communities, bringing jobs and hope. The RFS was instrumental in helping major parts of rural America survive the 2008 recession. This program increased commodity values, personal earnings, local and state tax

revenues, and economic activities in small towns across the heartland. It is an incredibly successful program that has boosted the agricultural economies in our states.

The renewable fuels industry in our states—and others—is poised to grow if the EPA sends positive and consistent market signals through increases in the required volumes. That will enhance America's energy security, value-added agriculture, and rural economic prosperity. We urge you to continue to fulfill your promises, to continue your support for all biofuels under the RFS, and to continue to put America first.

We look forward to our continuing work with you to Make America Great Again.

Sincerely,



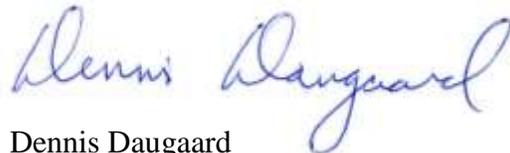
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cc: Administrator Scott Pruitt
Secretary Sonny Perdue
Secretary Wilbur Ross
Secretary Rick Perry