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July 11, 2016

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

The Honorable Gina McCarthy
Administrator, Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, DC 20500

Re: Docket ID No. EPA-HQ-OAR-2016-0004

Dear President Obama and Administrator McCarthy:

We write once again to strongly encourage you to revise and increase the proposed U.S. Environmental Protection Agency (EPA) Renewable Fuels Standard (RFS) volume obligation levels closer to congressionally authorized levels in order to grow the production and use of renewable fuels and revitalize the economy in rural America. We have grown increasingly frustrated by the Federal Government's weakening support for renewable transportation fuels. We hope that our comments and those of the biofuels industry are considered fully in your final deliberations. Our concerns, at their simplest level, center on the fact that the Clean Air Act does not give the EPA the authority to issue a general waiver of the Renewable Fuel Standard in this situation. The law makes it clear that the EPA may only issue a general waiver based on a determination that there is "an inadequate domestic supply" and not on other grounds such as distribution capacity. Further concerns follow.

The RFS, adopted by Congress and President Bush, has been one of the most successful energy policies and has laid a foundation for biofuels to introduce competition and choice in the transportation fuels market. As we have stated previously, a robust RFS is needed to provide the federal policy predictability that rural America requires to continue investing in renewable fuels. These investments serve to diversify our nation's energy portfolio, reduce transportation emissions, provide value-add opportunities to various bio-stocks, give consumers lower-cost choices at the fuel pump, and create rewarding careers. In Iowa, we are also excited about the great potential for synergy between biofuels and biorenewable chemicals.

The EPA's proposal significantly misses the mark for biodiesel, particularly given the large volume of idle production capacity installed in Iowa and across the country, which stand ready for significant production. The second phase of the RFS focuses on stimulating advanced biofuels. Biodiesel and renewable diesel have delivered a significant portion of the advanced biofuels under the RFS. By the EPA's own analysis, biodiesel reduces greenhouse gas emissions by 57-86 percent. In Iowa, the biodiesel industry consists of 13 plants with a capacity of over

320 million gallons. In 2015, Iowa produced just 242 million gallons largely due to the wavering federal commitment to biofuels. In short, we have the capacity to produce much, much more. Iowa has a vast supply of feedstocks available to the biofuels industry and the potential to expand further is very achievable. In many of Iowa's truck stops, the common blends range from over B5 up to B20. There is no limitation on how much biodiesel can be used as evidenced by higher blends being found around the state. A volume increase of just 100 million gallons two years from now – in 2018 – is insufficient to stimulate the level of investment, innovation, and economic activity that was envisioned under the biomass-based diesel category of the RFS. We have abundant biodiesel feedstocks and production capacity, and we should capitalize on the industry's success as a (leading advanced biofuel) with stronger growth potential in 2018 and beyond. Specifically, we urge the EPA to increase its biomass-based diesel targets to 2.5 billion gallons for 2018 in the final rule.

Regarding ethanol, the recent EPA proposal once again falls far short. The agency seems to contradict 2015 findings from the 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 that 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.

Perhaps the most frustrating aspect of the proposal is that the proposed conventional renewable fuel volume of 14.8 billion gallons is within a hair's breadth of the statutory volume of 15 billion gallons. Recent developments in the marketplace make the statutory 15 billion gallon requirement for conventional renewable fuels easily achievable in 2017. Record gasoline consumption allows more ethanol use as E10; U.S. ethanol plants are on pace to produce in excess of 15 billion gallons this year; and the number of stations offering E15 and E85 is expanding rapidly thanks to USDA's Biofuels Infrastructure Program (BIP) program. Finally, there are currently nearly 2 billion carryover RINs available which could be utilized for RFS compliance purposes. Thus, we strongly urge the EPA to raise the final RVO to the statutory 15 billion gallon level in 2017. Doing so would eliminate the risk of further litigation and ensure that the program is faithful to the statute and congressional intent. 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.

This issue is not limited to Iowa or to one political party. This year, U.S. Senators Chuck Grassley of Iowa and Amy Klobuchar of Minnesota recently led a bipartisan group consisting of 39 Senators, including Iowa Senator Joni Ernst, urging the EPA to institute a strong RFS. This would not only support American jobs and the economy, it would also reduce the environmental impact of the transportation and energy sectors and decrease dependence on foreign oil. The intention behind the establishment of RFS was to drive innovation and investment in biorefining

capacity and distribution infrastructure to bring biofuels to American consumers. Unfortunately, unfounded fears within the EPA that the distribution infrastructure was lacking resulted in falling biofuel investment and a loss of projects to foreign entities. However, even if distribution capacity was a factor in annual RFS volumes, market conditions make the statutory conventional renewable fuel volume easily achievable in 2018. Distribution infrastructure is also being expanded as a result of USDA's BIP grants and other programs, allowing the expansion of stations offering E85 and E15. Several thousand pump fueling stations are being added nationwide with USDA's \$210 million investment in renewable energy infrastructure, including 226 blender pumps in Iowa alone. The EPA's proposal seems to discount the significant new investment in renewable fuel infrastructure from the USDA, states, and private sector partners. The State of Iowa has consistently supported growth of the renewable fuels industry and has led the nation in ethanol and biodiesel production. Last year, the State of Iowa won a significant grant from the USDA's BIP to build on the Iowa Renewable Fuels Infrastructure Program. The new BIP-supported program is significantly increasing blender pumps and E85 stations in Iowa. 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. Without revisions, the EPA negates significant investment from the USDA in renewable infrastructure.

State leaders also call again 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. Furthermore, we once again call on federal leaders to investigate restrictive branded oil contracts that out-right prohibit the sale of E15 or make it excessively cumbersome or costly to offer a non-petroleum controlled product. Further, we once again entreat the EPA to replace the use of harmful aromatics with the use of cleaner-burning ethanol.

Iowa leaders have continued to actively engage on this issue, which is so important to a healthy economy in rural America. There remains a strong consensus in the Heartland that the EPA needs to reverse course on their once again flawed proposal and reject Big Oil's counterproductive arguments. 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 remain keenly focused on helping create a business and public policy environment that drives job growth throughout the state in communities. 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 supports. 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. Young people, bolstered by stable policy, innovation, and technological advancement, show renewed interest in agriculture in

recent years. However, there has been a softening in the agricultural economy the last few years that tracks very closely to the flawed RFS policies of the EPA. Frankly, federal policy uncertainty and indecision has jeopardized the health of the economy in rural America. The EPA's uncertainty disproportionately impacts rural America. The EPA's proposed rules over the last few years continue to (ripple) in agri-businesses, our communities, and the entire economy. Despite Big Oil's attempt to persistently pollute the public discourse, corn prices hover just over \$3.00 per bushel, down significantly from the 2012 drought level heights of \$8 per bushel.

Ethanol continues to be one of the most unfairly maligned products in the nation due to millions of Big Oil expenditures. 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 are 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 13.15 million gallons in 2015 – a growth of over 44% in that period. Total B100 (100% biodiesel) sales in Iowa have expanded from 7.4 million gallons in 2010 to 37.5 million gallons in 2015. In 2010, the average blend level of biodiesel-blended gallons sold in Iowa was 3.1 percent and by 2015, the average blend level had more than tripled to 11.0 percent. Big Oil continues to abhor competition – but American consumers deserve and demand choices at the fuel pump.

We once again 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. Despite our frustrations, we remain hopeful 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



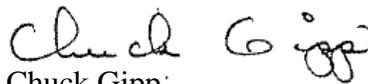
Bill Northey
Iowa Secretary of Agriculture



Debi V. Durham
Director, Iowa Economic
Development Authority



Paul Trombino III
Director, Iowa Department
of Transportation



Chuck Gipp
Director, Iowa Department
of Natural Resources

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