

September 16, 2015

The Honorable Barack Obama  
President  
The United States of America  
The White House  
Washington, D.C. 20500

Dear Mr. President,

As leaders in the advanced and cellulosic biofuels industry, producers of the lowest carbon fuel in the world, we are writing to express our serious concerns about modifications your Administration is proposing to make to the Renewable Fuel Standard (RFS).

As a general matter, we commend your commitment to addressing climate change, and look forward to continuing to work with you to create innovative solutions to reduce GHG emissions. We stand behind your recent declaration that Americans are innovators by nature, and your statement that “there should be no question that the United States of America is stepping up to the plate,” as we head into pivotal climate talks in Paris later this year.

However, our industry is also dealing with the reality that on May 29th your Administration re-proposed to insert a loophole into the RFS – a Clean Air Act (CAA) program that is the most aggressive U.S. climate policy enforced today – that would allow oil companies to avoid their obligations under the law.

As you know, the point of the RFS was to require oil companies to buy and sell an increasing amount of renewable fuel to address the fact that the oil industry would otherwise use its market position to cut off market access for competitors and thereby smother investment in cellulosic ethanol and advanced biofuels that have the lowest carbon footprint in the world. And yet, for the first time in RFS history, EPA is proposing to change the rules in the middle of the game to allow challenges related to the “distribution” of renewable fuel by oil companies – i.e. the oil industry’s refusal to buy and distribute low carbon, renewable fuel and its willingness to block brand-licensed gasoline retailers from selling higher renewable content blends under their branded canopy – to be cause for waiving the RFS on a year-to-year basis. Such a provision would gut the core concept behind the law.

From an investment perspective, billions of dollars of private capital flowed into U.S. biofuel projects – in the face of an historic global recession – largely because the RFS was seen as breaking the chokehold the oil industry has on fuel distribution and market access. RFS implementation was predicated on a market-based system of credits, much like the cap-and-trade plan you supported, and the most likely compliance mechanism for your Clean Power Plan. If portions of the oil industry choose not to purchase and use renewable fuel, they are required to purchase “Renewable Identification Numbers” (RINs) from market participants that did purchase and use renewable fuel in order to encourage good behavior and ensure fairness. As such, as RIN prices increase, so too does the economic incentive to blend more biofuels into the system. In essence, the policy rewards actors who do their part to meet the policy’s objective, and ensures that no one gets a free pass. This is how so many oil companies reported profits from selling RINs in recent years.

As acknowledged by EPA and former economic advisors to your Administration, this regulatory dynamic drives consumer choice at the pump with more American-made, renewable fuel without increasing average fuel prices. But EPA's decision to change its waiver methodology, under pressure from the oil industry, upends the system and sends the market signal that the RFS volumes can be lowered if the oil industry simply drags its heels. The point of the RFS was to reward those who made the investments necessary to use more renewable fuel. Parts of the oil industry refused to do so starting in 2013, and now they're being rewarded. No market-based system can survive if regulators are willing to overhaul the system to reward intransigence among obligated parties.

It is important to note that our industry has fought and won this battle once before. In 2005, Senator Inhofe and other oil industry champions tried to get "distribution waivers" included in the RFS from inception. Congress considered this path, but the language was struck from the bill in conference because Congressional champions for our industry knew that providing such waivers would result in the oil companies continuing to use their market position to stop the growth of biofuels.

Mr. President, the ramifications of your decision on this issue are substantial for America's largest renewable energy sector. If the final rule includes distribution waivers, the global market signal will be that your Administration is backing away from its support of the most transformative U.S. energy and climate policy on the books today; and one that is widely regarded to be the best cellulosic and advanced biofuels policy in the world. While our companies will not fail to deploy advanced biofuels, we will continue to be forced to look overseas where renewable fuel policies are more stable.

The good news is, and notwithstanding claims to the contrary, the inclusion of distribution waivers is not necessary to put the RFS on a reasonable and stable path going forward. We would like to work with your Administration to forge a better path forward that is reasonable from an RFS implementation and motor fuel market perspective, protects U.S. investment in low carbon fuels, and ensures that the United States is true to its word going forward in Paris and beyond.

We hope to have your support on this important matter, and firmly believe that with your leadership we can get this critical innovation/climate program back on track.

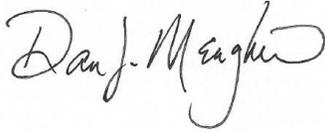
Sincerely,



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