

# Renewable Fuel Standard

*Research Paper – September 2019*

The federal Renewable Fuel Standard (RFS) was established to promote the use of renewable fuels to replace fossil-based fuels. The RFS was designed to lower our dependence on foreign sources of energy, support domestic fuel production, expand markets for agricultural products and improve the environment.

The RFS has been very good for the country overall and for rural America especially. The RFS has promoted more renewable fuel production, added value to agricultural products, created jobs and raised incomes in rural areas, while helping to lower greenhouse gas (GHG) emissions from transportation fuels.

## How the RFS works

The RFS works by setting and ramping up Renewable Volume Obligations (RVOs) for the share of gasoline and diesel that must come from renewable fuels. Petroleum refiners and other obligated parties can meet their RVOs by acquiring Renewable Identification Numbers (RINs) through the purchase and blending of renewable fuels. RINs exist for separate classes of renewable fuels with different GHG emission reductions:

- Traditional renewable fuels (e.g., corn-based ethanol) with a 20% GHG reduction.
- Advanced biofuels with a 50% GHG reduction. Advanced biofuel requirements can be met through the use of:
  - Biomass-based biodiesel with a 50% GHG reduction.
  - Cellulosic biofuels with a 60% GHG reduction.

The Environmental Protection Agency (EPA) annually sets RVO levels according to statutory levels in federal legislation. However, the law allows the EPA to reduce RVOs to account for hardships that could result if RVOs are maintained at statutory levels. The EPA has reduced RVOs for advanced biofuels because the production of cellulosic biofuels has greatly lagged behind the statutory goal.

## Small Refinery Waivers

The greater threat to the viability of the RFS and the renewable fuels industry is the increase in the EPA's use of their ability to issue small refinery exemptions. These exemptions effectively reduce RVOs below what would be distributed under the RFS. Small refinery exemptions were used sparingly by the EPA under President Obama. In the last three years of the Obama administration, the EPA issued 23 waivers and denied 18 requests. The waivers reduce demand over those three years by 690 million gallons.

Under President Trump, the number of waivers requested and the approval rate has increased dramatically. The EPA issued waivers totaling 790 million gallons in the first year of the Trump administration, more than the last three years of the Obama administration combined.

So far, the Trump administration has issued waivers reducing demand for renewable fuels by more than four billion gallons and has approved nearly 90% of all waiver requests. The approved waivers include requests by major global refiners, such as Chevron and Exxon, not small refineries that were the original targets of the waivers.

## Impact of reduced renewable fuel use and production

The massive increase in waivers under Trump has caused problems throughout the renewable fuels industry. Two Iowa ethanol plants have idled production due to reduced demand, and the waivers have dramatically cut prices for ethanol and corn.

A University of Missouri study in July 2018 noted that the Trump administration's waivers could reduce domestic demand for renewable fuels by 4.6 billion gallons and lead to the loss of \$20 billion in revenues over the next six years.

## Recent actions and potential outlook

The most recent waivers issued by the EPA were reportedly issued at the direction of President Trump himself. This led to widespread anger from renewable fuels and agriculture groups for breaking his promise to "protect the RFS." In

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response, Trump announced he would release a “giant package” to make up for losses due to the waivers. Nothing has emerged since.

The president subsequently met with renewable fuels advocates and allied Republican officials, where he spoke approvingly of a proposal offered by the renewable fuels industry to help make up for some of the lost demand caused by the waivers. Nothing has come from that meeting yet either, though President Trump later met with fossil fuel industry representatives to hear their concerns.

## Bottom line:

- The Trump administration has damaged the renewable fuels industry across the nation to the benefit of fossil fuel producers.
- Iowa is a national leader in renewable fuel production; Iowa will be hurt the most by these policies.
- The Trump administration has taken many actions to benefit the petroleum industry, including lowering fuel efficiency standards for vehicles and trying to remove California’s ability to establish their own clean air and fuel efficiency standards.
- President Trump came to Iowa to take credit for expanding the use of E15, only to issue waivers to Chevron and Exxon that reduced demand for ethanol, wiping out any benefit ethanol producers and farmers would have seen from the E15 change.
- The Trump administration’s actions are putting even more pressure on Iowa’s agriculture economy. Farmers are already hurting from lower commodity prices caused by the president’s chaotic trade policy.

## GALLONS OF BIOFUELS DEMAND DESTROYED BY WAIVERS

