

April 6, 2018

Senator Chuck Grassley
135 Hart Senate Office Building
Washington, DC

Senator Joni Ernst
111 Russell Senate Office Building
Washington, DC

Dear Senators,

We, Iowa's biofuels producers, must first express our most sincere and heartfelt gratitude for the time, effort, and unwavering dedication you have shown to defending the letter and spirit of the Renewable Fuel Standard (RFS) as you seek to ensure its benefits to consumers, air quality, fuel competition, American jobs, energy security, and the rural economy are fully realized.

Today we once again call upon you to help us protect the RFS from an insidious attack. It has been reported that on Monday the President will once again meet with EPA Administrator Scott Pruitt to discuss the disastrous Cruz RIN waiver scheme (sometimes referred to as a RIN price cap).

In light of this meeting, first, we urge you to reach out directly to President Trump to make clear that any Administration action to waive or cap RINs will be viewed as nothing less than a declaration of war on rural America and a complete abdication of his repeated promises to protect the RFS. It would undoubtedly lead to a legal challenge and unnecessary hardship for those who invested to make the RFS a success in both the biofuels and petroleum industries. While recent EPA actions have already caused RIN prices to fall by two-thirds, providing obligated parties with a multi-billion-dollar windfall, nothing has been done to boost biofuel sales – like allowing year-round E15 sales. Additional demand destruction is completely unwarranted.

Second, as unleashing the power of E15 is the “win-win” solution the President has been seeking, we urge you to call on the President to order EPA Administrator Pruitt to take immediate action to approve year-round E15 sales.

Instead of breaking his promise to protect the RFS, President Trump should fulfill his promise (made in Iowa) “to end restrictions that keep higher blends of ethanol and biofuel from being sold.”¹ By ending the unnecessary and unjustifiable regulatory quirk that prevents E15 from being sold year-round in two-thirds of the country, President Trump would simultaneously keep his promise to free higher blends of ethanol, boost consumer access to lower-cost, higher-octane fuel, and expand the use of ethanol in the US – thereby increasing the amount of RFS credits (RINs) generated and driving their prices lower.

¹ Trump campaign speech in Altoona, Iowa, January 19, 2016.

There is no legitimate reason to delay this action. Pruitt has repeatedly stated he would take such action if the EPA concludes it has the authority to do so. Speaking to Iowans in December, Pruitt agreed that the restriction on E15 sales “doesn’t make any sense.” Pruitt then pledged that: “If the statute authorizes us to do it, we’ll do our job and provide the waiver.”²

Despite this pledge, Pruitt has not done his job even though the EPA has obviously concluded it has the authority to fix E15. Pruitt has urged the President to support a bad deal whereby the Cruz RIN waiver scheme would be approved in return for the E15 fix.³ One would assume that Pruitt would not urge the President to support such a deal if the EPA could not follow through on E15. Instead of following through on his commitment to Iowans (and to Senators), Pruitt seems to be holding E15 hostage in an attempt to further undermine the RFS.

Additionally, in light of the harmful Chinese tariffs on the Midwest farm sector, allowing year-round sales of E15 would send a strong signal from the Administration in keeping their commitments to rural voters.

Finally, we urge you to call on President Trump to rein in his rogue EPA Administrator regarding the abusive granting of small refinery exemptions that typify Washington’s history of surreptitiously picking winners and losers.

As we have seen over the last 18 months, the petroleum industry and its allies in government do not lack for creative ideas to dismantle the RFS. In one of the most audacious attacks on the RFS yet, EPA Administrator Pruitt has reportedly granted at least 25 small refinery exemptions for the 2017 compliance period with more on the way.⁴ In some cases these “small” refinery exemptions were granted to some of the largest refining companies in the US.⁵

According to petroleum sources, Pruitt essentially invited refiners to make requests by making clear that exemptions would be granted. It is clear that Pruitt has abused the small refinery exemption process when even the oil industry is saying: “Anyone with a brain submitted an application. The EPA was handing out those exemptions like trick or treat candy.”⁶

Based on the data that has been made public about 2016 exemptions, IRFA estimates that the 25 exemptions for 2017 likely equate to over one billion gallons of demand destruction taken directly from the 15-billion-gallon RFS level for last year.

This represents an unprecedented attack on the RFS and the President’s commitment to defending the 15-billion-gallon level. The small refinery exemption provision of the RFS was clearly intended for small refiners who could prove disproportionate economic harm. Such waivers were, as one would expect, few and far between during the Bush and Obama

² <https://www.agri-pulse.com/articles/10305-pruitt-pledges-e15-waiver-but-only-if-the-law-allows>

³ <https://www.politico.com/newsletters/morning-agriculture/2018/02/26/perdue-pruitt-to-pitch-rfs-changes-to-trump-115421>

⁴ <https://www.reuters.com/article/us-usa-biofuels-epa-refineries/u-s-ethanol-groups-bristle-as-epa-frees-refiners-from-biofuels-law-idUSKCN1HB2AH>

⁵ <https://www.reuters.com/article/us-usa-biofuels-epa-refineries-exclusive/exclusive-epa-gives-giant-refiner-a-hardship-waiver-from-regulation-idUSKCN1HA21P>

⁶ <https://www.houstonchronicle.com/business/article/With-flood-of-EPA-waivers-refineries-find-way-12805971.php>

Administrations. We are now seeing that Pruitt has weaponized the small refinery exemption provision in an effort to effectively render the RFS useless.

Enough is enough. Since taking the helm at the EPA, Pruitt has repeatedly and relentlessly sought ways to subvert the President's RFS promises and to undermine, if not destroy, the effectiveness of the program. His anti-RFS actions must be put to an end because today Scott Pruitt is essentially making a liar out of President Trump.

Consider Pruitt's RFS track record.

1. Pruitt had to be ordered by Trump to drop the idea to change the RFS point of obligation (POO).
2. Pruitt had to be ordered by Trump to pull back the ridiculously unjustified NODA during last year's RFS rulemaking.
3. Pruitt had to be ordered by Trump to drop the illegal "export RINs" scheme.
4. Pruitt held the biodiesel RFS level flat in 2017 rule despite all data pointing to an increase.
5. Pruitt cut the cellulosic RFS level in the 2017 rule, ignoring the recommendation of EPA professional staff for an increase.
6. Pruitt has ignored the US Circuit Court of Appeals order to restore 500 million gallons of ethanol that were illegally cut from the 2016 RFS level.
7. Pruitt approved an embarrassing sweetheart deal to the owners of the PES refinery that cut demand for 300 million gallons of corn ethanol.⁷
8. Pruitt has weaponized the small refinery exemption process in an effort to destroy the RFS.
9. Pruitt changed the Bush/Obama normal practice of allocating gallons from exempted small refiners to the remaining obligated parties – thereby retroactively cutting the 15-billion-gallon RFS.
10. Pruitt has approved the small refinery exemptions inside a “black box,” empowering RIN speculators and insider deals.
11. Pruitt contradicted EPA's own court filing to claim that RFS/RIN prices negatively impacted the PES refinery.⁸
12. Pruitt urged the President to accept the horrible Cruz 10-cent RIN waiver/cap proposal.
13. Pruitt refuses to approve year-round E15 sales, despite public commitments to do so, and holds it hostage in return for additional measures to cripple the RFS.

As partners in this battle, we also recognize that it must be tiring to continuously push back against the attacks on the RFS from the petroleum industry and their allies in Congress and the Administration. However, we know we can rely on your resiliency and perseverance to see right overcome might.

⁷ <https://iowarfa.org/2018/04/irfa-submits-comments-on-pes-bankruptcy-settlement/>

⁸ <http://www.argusmedia.com/news/article/?id=1656189>

These battles are not of our (or your) choosing. Yet, achieving a positive outcome is vital to protecting the 47,000 Iowa jobs and \$2.4 billion of Iowa household income dependent on biofuel production. We stand ready to assist you in any way possible. And we again want to give our profound thanks for your unhesitating willingness to lead the fight to protect the RFS.

Sincerely,

Jeff Altena
Siouxland Energy

Dave Sovereign
Golden Grain Energy

Scott Zabler
Pine Lake Corn Processors

James Broghammer
Homeland Energy Solutions

Bill Howell
POET Biorefining – Coon Rapids

Brian Cahill
Southwest Iowa Renewable Energy

Tom Brooks
Western Dubuque Biodiesel

Brad Davis
Corn, LP

Eamonn Byrne
Lakeview Plymouth Energy

Rick Schwarck
Absolute Energy

Steve Roe
Little Sioux Corn Processors

Bill Horan
Western Iowa Energy

Delayne Johnson
Quad County Corn Processors

Ray Bradbury
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Bill Couser
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