

How Can Iowa Ensure Consumers Have Access to E15 Year-round?

Why did Iowa need to take action on E15?

After three years of year-round E15 sales, the DC Circuit Court, based on a lawsuit filed by oil refiners, struck down an EPA regulation that provided E15 that same regulatory treatment (volatility waiver) as E10. Therefore, during the summer volatility control season (June 1 to Sept 15), oil refiners are empowered to supply Iowa with gasoline that can legally be blended with 10% ethanol but that would not be legal to blend with 15% ethanol. As a result, oil refiners can game the system to prevent Iowa retailers from offering E15 to Iowa consumers during the busy summer driving season.

Why is being able to sell E15 all year important?

Many retailers will not offer a fuel that would have to be replaced or restricted during a major portion of the year. For retailers who do offer E15, not being able to sell the fuel all year leads to consumer confusion and impedes the growth of the fuel. E15 represents a vital growth opportunity for Iowa ethanol producers and farmers, while at the same time a lower-cost, lower-pollution option for consumers. Iowa's government and retailers have invested millions of dollars in infrastructure to expand consumer access to E15 and eliminating year-round sale of the fuel will strand those investments.

What did Gov. Reynolds do to restore year-round E15?

While a national solution would be best, oil refiners continue to oppose action by Congress or the EPA and it is highly uncertain any national fix will be in place by June 1, 2023. The key to ensuring ethanol blending fungibility is to ensure that both E10 and E15 are regulated the same – they either both have the volatility tolerance or they both don't. That way, the same gasoline can be used year-round to blend either E10 or E15.

Under the Clean Air Act, the governor of any state can choose to opt out of the volatility tolerance for E10 under an approved plan by EPA. Governor Reynolds and seven other Midwest governors have formally requested that EPA take this action for their respective states. Under the Clean Air Act, the EPA "shall" grant the request of a governor if air quality modeling is provided. The governors have provided the EPA with the appropriate modeling showing that the action will reduce smog-forming emissions.

What's the difference between conventional and low volatility fuel?

Every area in the country is considered either a conventional gasoline market (about 2/3 of the country, including Iowa) or a reformulated gasoline (RFG)/low volatility market. Typically, RFG markets are bigger cities and states with high air pollution concerns. Both conventional and RFG markets have a winter and summer season volatility limit for gasoline, measured in pounds per square inch (psi) on the Reid Vapor Pressure (RVP) scale.

In conventional gasoline markets the summer limit is 9-psi. E10 is allowed a 1 psi tolerance in conventional markets and can therefore have an RVP of 10-psi.

In RFG/low volatility markets (about 1/3 of US gasoline sales, including Chicago, Milwaukee, St. Louis, California, and most of the Eastern seaboard from DC to the north, along with a handful of other large metro areas), the summer limit can vary according to their state plan approved by the EPA, but the limit would be 7.8-psi or lower. E10 does NOT receive a 1-psi tolerance in RFG markets. The finished gasoline, with or without ethanol, must meet the same RVP limit.

How does eliminating the 1 psi E10 RVP tolerance help E15?

Currently in the summer, oil companies ship to Iowa higher volatility fuel that can be blended with ethanol to achieve an E10 blend because Iowa has the 1-psi RVP tolerance for E10. In 2019 EPA issued a rule that gave E15 that same 1-psi RVP tolerance, making it possible for E15 to be blended from this same fuel and, therefore, sold in conventional markets like Iowa in the summer. After three summer seasons, in July 2021, the DC Circuit Court overturned that rule.

Governor Reynolds' action to remove the 1-psi E10 RVP tolerance will ensure that any gasoline sent to Iowa by oil refiners will be suitable for blending both E10 and E15 during the summer. While Iowa would remain a conventional gasoline market, this fuel would have an RVP low enough that both E10 and E15 can be blended and remain below the 9-psi summer volatility limit. It is important to note, Iowa would not become an RFG market.

In short, eliminating Iowa's 1-psi RVP tolerance for E10 would put E10 and E15 on the same regulatory/volatility footing, making it possible for both to be sold all year round in Iowa.

Didn't President Biden already fix E15 for the summer?

During a recent visit to Iowa, President Biden did announce that his EPA will be issuing an emergency order based on limited fuel supplies and the Russian oil embargo that will restore the 1-psi volatility allowance for E15 during the summer of 2022. This was great news, but it is based on limited emergency powers and is not a long-term fix. However, Biden's action will allow the seamless sale of E15 during 2022, and it provided time for the governors' permanent fix to be put into place.

Under the Clean Air Act, when a governor makes the request to remove the E10 volatility allowance, there is a 12-month delay from the time of the request until it is implemented. So governors could not restore summertime E15 in 2022. But their action provides for a permanent solution in time for the summer of 2023. So Iowa, and the other seven states, will have no disruption in E15 sales given the combined impact of the Biden and Governors' actions.

What about other states that did not sign the letter?

States with conventional gasoline markets that do not take the action that Iowa did will see E15 sales disrupted beginning June 1, 2023. However, governors can make the request at any time, so hopefully other states follow the lead of these eight governors.

The eight states taking action to preserve year-round E15 account for just over 10% of US gasoline usage. Combined with current RFG markets, roughly 40% of US gasoline sales will have unimpeded E15 sales.

What do oil refiners say?

Not surprisingly, oil refiners have tried to scare governors away from preserving year-round E15, claiming price and supply concerns. When looking at the largest markets with conventional and low volatility fuel, the price differences are negligible with conventional fuel more expensive as often as its cheaper. Further, refiners have made much greater volumes of low volatility gasoline in the past than they do today (fewer RFG markets, less overall gasoline use). Bottom line: oil refiners do not want to compete against lower-cost, higher-octane E15. That's why they sued to try to kill it in the first place.