



Research

Renewable Fuel Standards: One Final Disappointment

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Summary

- The Renewable Fuel Standard targets that were recently released by [the EPA](#) fall almost 5 billion gallons under congressionally mandated targets. The gap between mandates and targets previously set forth has continued to widen making the case that RFS is not functioning as intended.
- Broad based industry groups are calling for RFS reform based on market distortion and the need for consumer protection.
- The RFS requires a fresh evaluation to ensure it is meeting its original goals and is being implemented in a manner that is consistent and fair.

On November 23rd, 2016, the required annual rulemaking for the [Renewable Fuel Standard](#) was released and was well under the mandated limit set forth by Congress. This limit was set forth by the RFS that was released in 2007 under the Energy Policy Act of 2005, and was expanded and extended by the [Energy Independence and Security Act of 2007](#) (EISA). This year's requirements are higher than what was set forth this past May, despite still being under target, and will mandate more ethanol in the U.S. fuel supply despite lower marketplace demand for ethanol based fuels.

The proposed volume requirements are 4.72 billion gallons short of volumes set forth in the EISA (below) and are as follows^[i]:

- Cellulosic biofuel, from 230 million gallons in 2016, to 312 million gallons in 2017;
- Advanced biofuel, from 3.61 billion gallons in 2016, to four billion gallons in 2017;
- Renewable fuel, from 18.11 billion gallons in 2016 to 18.8 billion gallons in 2017; and
- Biomass-based diesel, from two billion gallons in 2017 to 2.1 billion gallons in 2018.

Volume Standards as Set Forth in EISA

Year	Cellulosic Biofuel	Biomass-Based Diesel	Advanced Biofuel	Total Renewable Fuel	"Conventional" Biofuel
2009	NA	0.5	0.6	11.1	10.5
2010	0.1	0.65	0.95	12.95	12.0
2011	0.25	0.8	1.35	13.95	12.6
2012	0.5	1.0	2.0	15.2	13.2
2013	1.0	*	2.75	16.55	13.8
2014	1.75	*	3.75	18.15	14.4
2015	3.0	*	5.5	20.5	15.0
2016	4.25	*	7.25	22.25	15.0
2017	5.5	*	9.0	24.0	15.0
2018	7.0	*	11.0	26.0	15.0
2019	8.5	*	13.0	28.0	15.0
2020	10.5	*	15.0	30.0	15.0
2021	13.5	*	18.0	33.0	15.0
2022	16.0	*	21.0	36.0	15.0

*statute sets 1 billion gallons minimum, but EPA may raise requirement

Note: There is no statutory volume requirement for "conventional" biofuel. The conventional volumes in the table are calculated (total - advanced) and are certain biofuels that do not qualify as advanced.

Source: [EPA Program Overview for Renewable Fuel Standard Program](#)

Tick Tock

Coming up short again, the 2017 volumes are almost 5 billion gallons below the 22-billion-gallon marker that Congress requested, leaving corn growers in a precarious situation. This is not the first time the EPA has failed to meet congressionally mandated targets. Although they were on time this year, they have been consistently late in finalizing standards^[ii].

2010: Final rule for RFS was 16 weeks late

2011: Final rule for RFS was 2 weeks late

2012: Final rule for RFS was 6 weeks late

2013: Final rule for RFS was 36 weeks late

2014-2016: These three years were released simultaneously, making targets for 2014-2015 retroactive and over 2 years late.

Industry Reaction

Biofuel developers and ethanol supporters are pleased with the increase that has been proposed and farmers across the country facing difficult economic times call the RFS a great success. However, many industry groups across the country, including motor vehicle associations, petroleum based groups and restaurant councils, are concerned with the recent hike in ethanol and biofuel increases. [The American Motorcyclist Association](#) (AMA), for example, is particularly concerned with this recent increase, stating, “None of the estimated 22 million motorcycles and all-terrain vehicles in use in the United States is approved by the EPA to operate on ethanol blends higher than 10 percent. Using higher-ethanol blends in those vehicles is illegal and may cause engine and fuel system damage and void the manufacturer’s warranty”. Petroleum based industries are similarly concerned because this rule displaces their product and incentivizes another.

RFS Restructure

According to a previous report by the [American Action Forum](#), 2016 marks the first year that the RFS would be allowed to reset its overall fuel targets. Janet McCabe, EPA’s Assistant Administrator, acknowledged that the EPA would have to seriously consider the possibility of reevaluating its renewable fuel targets for the future. Such a process would be lengthy, and it is doubtful that any finalized rules would come before the next administration. As we are practically at year’s end, no rumblings of an overhaul have been heard. The final rule is expected to be issued before the end of the year.

Conclusion

The RFS has major flaws in both its overall goal as well as implementation. The merits of the RFS should be reviewed to determine whether the mandate is meeting its originally intended goals, and whether the EPA will be able to implement rules promptly in the future so that the market can meet the demands as efficiently as possible.

[i] https://www.google.com/?gws_rd=ssl#q=renewable+fuel+standard&tbm=nws

[ii] <https://www.americanactionforum.org/research/2017-renewable-fuel-standard-coming-short/>