June 17, 2021

The Honorable Michael S. Regan
Administrator
Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Mr. Brian C. Deese
Director
National Economic Council
1650 Pennsylvania Avenue, N.W.
Washington, D.C. 20502

Dear Administrator Regan and Director Deese:

On behalf of the hundreds of thousands of American farmers and workers whose jobs are supported by the U.S. biofuel industry, we write in response to recent calls from a handful of east coast oil refiners to waive, or otherwise weaken, the Renewable Fuel Standard (RFS).

The RFS was enacted to reduce oil dependence, curb greenhouse gas emissions, and create jobs. The program works when enforced. The American biofuel industry now supports hundreds of thousands of jobs, displaces billions of gallons of oil imports annually, and according to Department of Energy models, has reduced greenhouse gas emissions by almost 1 billion metric tons since enactment of the RFS. In addition to increasing use of low-carbon fuels, the RFS is a vital pathway for American agriculture to take a leadership role in the fight against climate change, a key priority of the Biden-Harris Administration.

Like most clean energy standards, the RFS works by giving obligated parties flexibility in how they comply with the law. Oil refiners comply with the RFS by either blending renewable fuels or purchasing RFS credits ("RINs") from another party that has blended extra renewable energy into the fuel supply. Every gallon of renewable fuel acquired comes with a RIN credit. Oil refiners that comply with the RFS by blending renewable fuel, as intended by Congress, thereby position themselves to sell excess RINs to other oil refiners who prefer to buy credits. The RIN credit mechanism sets in motion the economic incentive to blend more renewable, low-carbon fuels.

The oil refiners seeking a waiver have chosen – for more than a decade – to purchase RIN credits in lieu of blending renewable fuels. They are gambling that a perceived threat to union jobs will compel the administration to back away from enforcing the law. However, the Environmental Protection Agency (EPA) has repeatedly found that merchant refiners "are generally able to recover the cost of RINs in the prices they receive for their refined products, and therefore high RIN prices do not cause significant harm to refiners." In effect, refiners publicly label RIN prices as a cost, while privately collecting RIN revenues from outgoing products.

We encourage administration officials to take a hard look at oil refinery earnings reports and east coast refining margins to fully appreciate the truth behind false claims of economic hardship. For example, PBF Energy (Delaware City Refinery) reported a significant increase in operating income (and stock price) in 1Q2021 relative to 1Q2020, during the same time period when refinery owners claim that RIN exposure created economic hardship. RINs have no net impact on refinery earnings.

Oil refiners claiming hardship are using the RFS as a scapegoat for unrelated executive actions to appease dissatisfied investors. For example, the Monroe Energy (Delta Airlines) refinery is struggling, but not because of the RFS. Refinery executives admitted in an internal memorandum that it has sacrificed profits at the refinery to boost profits at the airline, "acting against its own financial interest to try to maintain lower jet fuel prices and save the nation's second-largest airline money on fuel, its top operating expense."

Philadelphia Energy Solutions (PES) also blamed the RFS for threatening union jobs. However, it was later uncovered that private equity investors in the refinery were simultaneously cutting worker pensions and health benefits, taking out operating loans against the refinery, ultimately directing over $600 million to the same outside investors funding a pipeline that cut off the facility from cheap crude oil – all while liquidating RINs needed for compliance before declaring bankruptcy.

We commend the administration's commitment to protecting middle-class jobs and expanding low-carbon U.S. manufacturing. The American biofuel industry is one of the largest employers in the renewable energy sector and maintains one of the highest union densities in the energy sector (e.g., higher than the national private-sector average, and greater than petroleum). These workers cannot afford a return to the biofuel demand destruction that shut down rural manufacturing jobs, deprived farmers of market opportunities, and threatened U.S. progress toward decarbonization.

The American biofuel industry stands at the ready to help decarbonize liquid fuels, support domestic manufacturing jobs, and revitalize the U.S. economy with clean energy. Holding strong on the RFS is an indispensable part of that mission.

Thank you for your ongoing commitment to the U.S. biofuel industry.

Sincerely,

National Farmers Union — United to Grow Family Agriculture

growth energy — America's Ethanol Supporters

RFA — Renewable Fuels Association

National Corn Growers Association

National Biodiesel Board

Advanced Biofuels Business Council

Fuels America — It's Already Growing