RFS Reform

Background

The Energy Marketers of America (EMA), formerly known as the Petroleum Marketers Association of America (PMAA), supports reduction in the volumetric mandate for ethanol in the renewable fuel standard (RFS) to prevent the introduction of E15 (gasoline with 15 percent ethanol content) at the retail level. To achieve such reductions, EMA supports limiting the ethanol mandate under the RFS to a volume no greater than 9.7 percent of projected customer demand as determined by the Energy Information Administration (EIA). Limiting the RFS volumetric mandate to 9.7 percent of consumer demand will maintain the per gallon ethanol content at the current E10 level (10 percent ethanol). A de facto E15 mandate through the RFS annual volumetric blending mandates would cause great harm to small business energy marketers, the consuming public and ultimately the ability to supply fuel to retail outlets without interruption nationwide.

THE E15 Problem

An E15 mandate is bad for small business energy marketers, consumers and fuel supplies for two important reasons:

- **Non-compatibility:** E15 is not compatible with most underground storage tank (UST) system components currently in use, except for some of the tanks. The components most vulnerable to the corrosive effects of E15 are the glues and sealants that hold the UST system together and prevent leaks. State and federal laws and regulations require retailers to prove that E15 is compatible with the UST systems. However, it is impossible to prove E15 compatibility without a total UST system retrofit since most equipment in the ground today is only certified to a maximum E10 blend. UST system retrofit is not an option because; the $100,000 plus per site capital expenditure is out of reach for most retailers; the downtime for retrofitting retail sites would limit fuel supply and raise prices at the pump; and there are not enough equipment or vendors available to retrofit the majority of retail fuel stations nationwide.
- **E15 Marketing Confusion:** Large, vertically integrated multistate blender/retailers are able to supply E15 at a significant discount to the retail outlets they own and operate. These large retailers are able to do this by generating credits from blending ethanol which they sell to refiners who need them to meet their annual RFS volumetric blending requirements. Large retailers pass down the money earned from selling blending credits to their retail outlets in the form of a per gallon price reduction that their small business competitors cannot match. Since consumers largely avoid E15 due to engine performance concerns, large retailers have turned to confusing marketing techniques that mask the 15 percent ethanol content in the blend. As a result, consumers who think they are buying regular unleaded E10 gasoline at a discounted price are actually purchasing E15 with 33 percent lower energy content. The combination of unique price reduction ability and confusing marketing techniques creates an unlevel playing field upon which small business retail marketers cannot compete.

RFS Reform Efforts

EMA believes the solution to the E15 problem is best met through reform of the RFS itself.

- EMA supports setting the maximum volume of ethanol content in gasoline at 9.7 percent of projected annual gasoline demand as determined by the EIA. The 9.7 percent limit is necessary because the 15-year gasoline demand projections (at E10 levels) used by Congress to determine annual volumetric ethanol blending mandates under the RFS were far too high. Due to the incorrect demand projection, no additional ethanol volume can be blended into the nation's fuel supply without moving to an E15 blend.

EMA Related E15 Positions

Small Refinery Exemptions: EMA took a neutral position on whether small refinery exemptions under the RFS should be limited. However, EMA opposes rolling over and reallocating the blending volumes exempted to subsequent annual blending mandates if the total volume would go beyond 9.7 percent of projected demand.

E15 Marketing Practices Confusion: To help mitigate misleading practices used to market E15, EMA submitted a proposal to the National Conference on Weights and Measures requiring greater transparency for E15 branding and labeling practices.

"THE ASK" *(Committees: House Energy and Commerce; Senate Environment and Public Works; All lawmakers)*
UST system compatibility issues with E10 plus blends exist and we urge you to support efforts to protect motorists and allow all energy marketers to compete on a level playing field. Support setting the maximum volume of ethanol content in gasoline at 9.7 percent of projected annual gasoline demand as determined by the EIA.

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