



U.S. House of Representatives

Committee on Oversight & Government Reform

Subcommittee on Energy Policy, Health Care and Entitlements

Up Against the Blendwall: Examining EPA's Role in the Renewable Fuel Standard

Testimony of Jack N. Gerard

President and CEO of the American Petroleum Institute

June 5, 2013

Good morning Chairman Lankford, Ranking Member Speier, and members of the Subcommittee. Thank you for the opportunity to address API's concerns regarding EPA's implementation of the Renewable Fuel Standard.

API represents all sectors of America's oil and natural gas industry, which provides most of our economy's energy, supports 9.2 million American jobs; 7.7 percent of the U.S. economy, and delivers more than \$85 million a day in revenue to the federal government.

Let's get right to the point: The Renewable Fuel Standard (RFS) is irreparably broken and poised to do significant harm to consumers, the economy and the nation's fuel supply. The impact of

the mandate has been made worse by EPA's unwillingness to let science, court decisions, and common sense guide its implementation.

Now, EPA is currently facing the biggest test of all - the E10 blendwall. The renewable fuel mandates in the RFS increase yearly, while demand for fuel in the U.S. is dropping, creating a situation known as the E10 blendwall. When this happens, refiners will be forced to blend a fuel with more than 10 percent ethanol or reduce production to meet the mandate, thus creating a crisis for consumers, whose automobiles are built and warranted for E10. In fact, most consumer engines are designed for an E10 blend, including small engines, such as motorcycles, boats and lawnmowers.

EPA's actions to approve E15 despite scientific evidence showing millions of automobiles could face engine and fuel system damage is an unnecessary risk to consumer safety, automobiles and small engines.

Quite frankly, EPA's implementation of RFS is galling. The agency has continued to set unrealistic cellulosic standards since 2010, resulting in refineries having to pay the government a fee for a fuel that doesn't exist. Further, even after the industry successfully sued the government for a return of phantom fuel fees, EPA doubled down on its indefensible actions by setting the 2013 target volume even higher – flouting a U.S. Court of Appeals decision issued just days earlier striking down the 2012 mandate.

To give you a big-picture view of the problem, let me summarize the study conducted by NERA Economic Consulting. The study found that once the blendwall is breached, the cost of diesel could increase by 300 percent by 2015. The cost of a gallon of gas could increase up to 30 percent by 2015. In broad economic terms, RFS could cause a \$770 billion decrease in U.S. GDP by 2015 and reduce take home pay for American workers by \$580 billion.

Keep in mind all of this stems from EPA's dogged enforcement of an obsolete law, which was written at a time of assumed energy scarcity for our nation and heavy dependence on foreign-sourced energy. That's not our reality today.

These impacts are unnecessary. The fact is the blendwall and its harmful impact on consumers could be prevented today if EPA would simply use the waiver authority contained in the law to waive the RFS completely or at least waive down the volumes below 10 percent.

Bottom line, EPA must act now to avoid the impending blendwall crisis. Longer-term, in our view, the best solution is for Congress to repeal RFS once and for all.

The stakes are simply too high for inaction, which could cost consumers millions of dollars, place at risk small engines and automobiles, and unnecessarily burden our still shaky economy.

Thank you for your time and attention today.

Committee on Oversight and Government Reform
Witness Disclosure Requirement - "Truth in Testimony"
Required by House Rule XI, Clause 2(g)(5)

Name:

Jack N. Gerard

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2010. Include the source and amount of each grant or contract.

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2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

American Petroleum Institute - President and CEO

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2010, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

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Jack Gerard

Jan 4, 2013

I certify that the above information is true and correct.
Signature:

Date:

API President and CEO



Jack N. Gerard

Jack N. Gerard is president and CEO of the American Petroleum Institute, the national trade association that represents all aspects of America's oil and natural gas industry.

Mr. Gerard has led API since November 2008, expanding its membership and influence in all 50 states and globally, adding offices in Dubai and Singapore to its operations in Beijing, enabling API to better inform the public and policymakers on important energy issues. API's Washington presence is the foundation for the oil and natural gas industry's advocacy and outreach at state, federal and global levels on public policy, standards and certification programs, and as the source for information on industry best practices.

Mr. Gerard is recognized by numerous publications and his peers as one of Washington's most influential advocates. *Washington Life* magazine named him one of the city's "Power 100" and a Fortune magazine profile said Mr. Gerard's effort to build a 50-state advocacy network for the oil and natural gas industry was "showing signs of success" through its outreach to workers and non-traditional allies.

Prior to joining API, Mr. Gerard served as president and CEO of the American Chemistry Council, and earlier held the same position at the National Mining Association. Mr. Gerard also spent close to a decade working in the U.S. Senate and House. He came to Washington in 1981, and worked for Rep. George Hansen. He also worked for Sen. James A. McClure, who chaired the U.S. Senate Energy and Natural Resources Committee.

Sen. McClure retired in 1990, and Mr. Gerard joined him in founding McClure, Gerard & Neuenschwander, Inc., a Washington, D.C.-based government relations consulting firm. Mr. Gerard served as chairman and chief executive officer and focused on issues such as international sports, telecommunications, energy and mining.

He serves as a board member and is a past chairman of the National Capital Area Council - Boy Scouts of America, is co-chair of The George Washington University Graduate School of Political Management's Council on American Politics, is chairman of the board of directors for the Congressional Coalition on Adoption Institute, and is a member of the Conservation Fund's Corporate Council.

As the industry's national trade association, API has over 500 members. They range from the largest major oil company to the smallest of independents and represent all segments of the industry.

Mr. Gerard was born and grew up in Idaho. He holds a bachelor's degree in political science and a juris doctor from George Washington University. Mr. Gerard lives in Virginia with his wife, Claudette, and their eight children, including twin boys the family adopted from Guatemala.