

Opening Statement of Chairman James Lankford
Subcommittee on Energy Policy, Health Care and Entitlements
“Up Against the Blend Wall: Examining EPA’s Role in the Renewable
Fuel Standard”
June 5, 2013

Drivers across America today will fill up their gas tanks and complain about the price of energy. We are Americans. We love to travel, but we hate to pay high gas prices. But there is also a new complaint, the frustration of filling up your car with ethanol, which is made from food and does not burn as efficiently as gasoline.

The Renewable Fuel Standard (RFS) requires that 35 billion gallons of ethanol-equivalent biofuels and 1 billion gallons of biomass-based diesel be refined by 2022. To get there refiners must include increasing amounts of renewable fuels, like corn-ethanol, into gasoline each year. However, when this law was written in 2005 and expanded in 2007, we were living in a different time and the drafters assumed gas demand would continue to increase. Since then, the recession and increased CAFE standards have pushed down the demand for gasoline.

There is increasing evidence that the RFS is not meeting the original bi-fold purpose: “to move the United States toward greater energy independence and security,” and “to increase the production of clean renewable fuels.” Another market change since 2005 and 2007 is the current domestic energy boom – leading us to greater energy independence and security by leveraging our domestic petroleum supplies. Second, corn-based ethanol may not be any cleaner than gasoline and has other negative environmental consequences, such as using more water for producing corn-based energy than refining gasoline.

To account for these future uncertainties, Congress gave the EPA waiver authority to suspend RFS requirements for various reasons. EPA may waive the requirements if “there is inadequate domestic fuel supply” or if “implementation of a requirement would severely harm the economy or environment of a State, a region, or the United States.” Last year, for example, in response to catastrophic drought conditions, several governors petitioned for a waiver. Although the EPA found that the drought had created “significant hardships... particularly for livestock producers,” the EPA did not grant the waiver. This year, the RFS presents a new challenge, known as “the blend wall.”

Because the law requires increasing amounts of renewable fuels be blended into gasoline each year, if demand for gasoline goes down, the only way to meet the standard is by blending a higher percentage of ethanol. Currently, it is not uncommon to see E10, or 10% ethanol. This year, however, refiners predict they will have to blend E15. This presents two problems: First, it may be a defective product. Many automakers will void warranties if motorists use anything higher than E10 in their cars because of the engine damage it can cause. It can be especially damaging to older cars, boat engines, and small non-vehicle motors. Second, consumers don’t

want it. In my home state of Oklahoma, you will frequently find gas stations advertising pure gasoline, containing no ethanol, in response to consumer demand.

By requiring refiners to produce a product that consumers can't use and don't want, it is only logical that this constriction of the market will increase fuel prices, causing economic damage. According to a study done by the economic consulting firm NERA, mandating E15 could increase the cost of gasoline by 30% by 2015 and increase cost of diesel by 300% by 2015. In addition to refiners and consumers, other stakeholders are affected by this market distortion. Because of the over-reliance on food-based ethanol as a renewable fuel, the RFS has a negative impact on our food supply and security.

The goal of this hearing is to see how we can alleviate the pressure on consumers. One way to do this is to change the law. That is the job of the Energy & Commerce Committee, not this Committee. This Committee oversees how the executive branch is implementing the current law. Today, we will seek to learn what EPA can do, has done, or has not done to ease the burden on consumers. I thank the witnesses for their participation today, and I look forward to hearing their testimony.