

**Christopher Grundler
Director
Office of Transportation and Air Quality
Office of Air and Radiation
U.S. Environmental Protection Agency**

**Subcommittees on Interior and Health Care, Benefits and Administrative Rules
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Statement

Chairwoman Lummis, Ranking Member Lawrence, Chairman Jordan, Ranking Member Cartwright, and other members of the Committee, I appreciate the opportunity to testify on the Renewable Fuel Standard (RFS) program and the EPA's recent final rule setting the annual volume standards for 2014, 2015, and 2016, and the biomass-based diesel volume requirement for 2017.

The RFS program began in 2006 under the Energy Policy Act of 2005. The program's requirements were then modified by the Energy Independence and Security Act of 2007 (EISA). EISA's stated goals include moving the United States toward "greater energy independence and security," and increasing "production of clean renewable fuels." EISA established new annual volume targets for renewable fuel that increase every year to reach a total of 36 billion gallons by 2022, including 21 billion gallons of advanced biofuels. Congress also included tools, known as waiver provisions, for EPA to use to adjust the statutory targets in specified circumstances, including where the statutorily prescribed volumes could not be met. After an extensive notice and comment process, including working closely with our federal partners at the U.S. Department of Agriculture (USDA) and U.S. Department of Energy (DOE), EPA finalized regulations to implement the EISA requirements. Those regulations went into effect in July 2010.

EISA requires EPA to issue annual standards for four different categories of renewable fuels: total, advanced, biomass-based diesel, and cellulosic. These standards designate the percentage of each biofuel category that producers and importers of gasoline and diesel must blend into transportation fuel, heating oil, or jet fuel. On November 30, 2015, we issued a final rule to establish the annual volume standards for cellulosic biofuel, biomass-based diesel, advanced biofuel, and total renewable fuel that apply for years 2014, 2015, and 2016. We also established the applicable volume of biomass-based diesel, commonly referred to as biodiesel, that will be required in 2017. The Clean Air Act requires EPA to issue renewable fuel standards by November 30 of each year for the following year and 14 months in advance for the biomass-based diesel category.

Biofuel use over the past decade has increased significantly, especially for ethanol and biodiesel, and recently we have seen important developments in the production of advanced renewable fuels, including cellulosic biofuel production. This is encouraging, because cellulosic biofuels are the biofuels that have the lowest lifecycle GHG emissions. Most of the growth in EISA's renewable fuel targets for 2015 and beyond comes from these advanced cellulosic biofuels. We are committed to doing what we can to encourage and support production and blending of such fuels to maximize reductions in greenhouse gases.

With this final rule, EPA established volume requirements that will increase the amount of biofuel in the market beyond historic levels – consistent with Congressional intent. The final standards provide for ambitious yet achievable growth, and incentivize growth in advanced fuels that achieve substantial greenhouse gas (GHG) reductions compared to the transportation fuels they replace. The rule uses the law's waiver authorities to adjust the annual volume targets, but does so in a judicious way. As a result, the final standards, though lower than the statutory levels, still require substantial growth in renewable fuel use.

The final rule addresses three years' worth of standards, and sets the volume requirement for biomass-based diesel for a fourth year. For 2014 and 2015, we finalized standards at levels intended to reflect the actual amount of biofuel used domestically. For 2016 – and for 2017 for biomass-based diesel – the standards we have finalized through use of waiver authorities provide for significant increases over past levels. The final 2016 volumes for total and advanced renewable fuels reflect our consideration of two essential factors: first, that the market can respond to ambitious volume targets, and second, that there are limits today to the volumes that can be supplied to consumers.

Many of our stakeholders rightly want to know why some of the volume targets established in the statute cannot be reached. There are several reasons: slower than expected development of the cellulosic biofuel industry and the resulting shortfall in cellulosic biofuel supply, a decline in gasoline consumption rather than the growth projected in 2007, and constraints in supplying certain biofuels to consumers – ethanol at greater than 10 percent of gasoline, in particular. Our final rulemaking includes a discussion of this last constraint, known as the “E10 blend wall.” If gasoline demand is flat or trends downward, increasing the amount of ethanol used in the fuel pool will require significantly greater use of fuels with higher ethanol content. Examples are blends of 15 percent ethanol in gasoline, or E15, and blends of up to 85 percent ethanol, or E85, which can be used in flexible fuel vehicles (FFVs). EPA has taken steps to enable the use of higher-level ethanol blends, including granting partial waivers for the use of E15 in certain light-duty cars and trucks beginning with model year 2001. USDA has also put resources into expanding ethanol fueling infrastructure. At the same time, EPA recognizes that there are real limitations in today's market to the increased use of these higher ethanol content fuels, including current near term limits on fueling infrastructure.

The standards we finalized for 2016 will continue to spur growth in renewable fuel use. Overall, this final rule requires that total renewable standards grow by more than 1.8 billion gallons from 2014 to 2016. That's 11 percent more biofuel than the market produced in 2014.

The final 2016 standard for cellulosic biofuel – the fuel with the lowest carbon emissions– is nearly 200 million gallons, or 7 times more, than the market produced in 2014. For advanced biofuel, the 2016 standard is nearly 1 billion gallons, or 35 percent, higher than the actual 2014 volumes. In addition, the biodiesel standards also grow steadily over the next several years, increasing every year to reach 2 billion gallons by 2017. That’s 23 percent higher than the actual 2014 volumes.

We believe that these volumes are achievable, and consistent with Congress’ clear intent to drive renewable fuel use up, even as we use the authorities that Congress provided EPA to manage the program responsibly.

EPA has taken other steps to improve the administration of the RFS program. We have improved the quality, transparency, and efficiency of our petition review process for new biofuel pathways that can count under the RFS program. These improvements to our pathways review process are already making a difference. Since launching the new Efficient Producer process on September 30, 2014, EPA has approved over 50 petitions for efficient corn ethanol plants with an average review time of less than 2 months. Compared to our previous performance, we have reduced our processing time for similar petitions by 80%, and we are continuing to work toward shortening that time. Since announcing our streamlining initiative, we have approved six new pathways for second-generation biofuels.

Even as we finalize these standards and look towards 2017, it’s important to remember that the RFS program is only one part of the overall picture for biofuels. Both USDA and DOE have programs supporting biofuels development and fueling infrastructure, and we work closely with them in our work to implement this program.

EPA recognizes that both challenges and opportunities lie ahead for the renewable fuel sector. Introducing new fuels into the marketplace, especially cellulosic biofuels, is not an easy task. But that is the challenge that Congress took on with the RFS program, and we are committed to implementing the program in a way that responsibly pushes forward and grows renewable fuels over time, as Congress intended. And in doing so, we will continue to engage with our stakeholders and work in close consultation with USDA and DOE.

Again, I thank you for the opportunity to serve as a witness at this hearing.

Christopher Grundler

Christopher Grundler is the Director of the Office of Transportation and Air Quality (OTAQ) for the U.S. Environmental Protection Agency (EPA). Prior to being appointed Director, he served as the Deputy Office Director and Chief Executive of the National Vehicle and Fuel Emissions Laboratory located in Ann Arbor, Michigan. He and a staff of nearly 400 employees strive to protect public health and the environment by reducing air pollution from transportation vehicles, engines, and the fuels used to operate them.

Grundler and his team establish and implement national emissions standards for transportation fuels and vehicles, as well as a variety of off road equipment. These mobile sources include cars and light trucks, heavy trucks and buses, nonroad engines, marine vessels, and airplanes. OTAQ is also responsible for implementing important aspects of the Energy Independence and Security Act, including establishing national renewable fuel standards. OTAQ is continuously evaluating a wide variety of advanced technology strategies which have the potential to reduce harmful emissions and fuel consumption.

Since joining EPA in 1980, Mr. Grundler has held a number of senior leadership positions within the Agency including Director of the Office of Federal Facilities Enforcement and Director of the Great Lakes National Program Office. Mr. Grundler has also served at the U.S. Department of Energy, where he helped create the Department's first environmental audit program. Mr. Grundler has been awarded the Gold Medal for Exceptional Service, EPA's highest honor. In 2008 he received the Presidential Award for Meritorious Senior Executives.

Mr. Grundler was part of the team that developed the nation's first greenhouse gas emission standards for both light- and heavy-duty vehicles. Prior to that, he helped bring a slate of clean diesel standards for cars, trucks, and construction equipment. In addition, he administered a five year modernization program for EPA's National Vehicle and Fuel Emissions Laboratory, the nation's premier facility for testing and evaluating clean automotive technology.

Mr. Grundler holds a Bachelor of Science degree in Civil and Environmental Engineering from the University of Michigan for which he is an avid sports enthusiast. He was raised in Michigan and divides his time between Washington, D.C. and Ann Arbor, Michigan.