THE GOLD STANDARDS: RFS & LCFS

Since its inception in 2005, the Renewable Fuel Standard has been a crucial driving force for creating marketplace opportunities for ethanol and other renewable fuels. While implementation of the statute by the U.S. Environmental Protection Agency has been inconsistent at best, the RFS has still provided the foundation upon which U.S. ethanol producers have built an Essential Energy industry. That's why RFA continues to protect and defend the RFS from the oil industry's endless attacks.

In January 2020, the U.S. Court of Appeals for the Tenth Circuit ruled in *RFA et al. v. EPA* that the agency had far exceeded its statutory authority in granting RFS compliance waivers to oil refineries that were ineligible to receive them under the law. Joining RFA in the challenge were the National Corn Growers Association, the National Farmers Union, and the American Coalition for Ethanol. The decision set an important precedent that should eliminate the rampant abuse of the small refinery exemption program moving forward.

Indeed, we anticipate future implementation of the RFS will be more consistent with the statute and will provide the ethanol industry with the demand certainty intended by Congress.

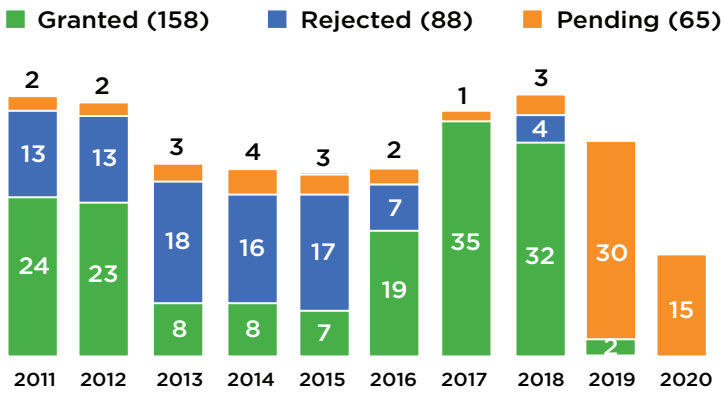
Beyond creating new market opportunities for farmers, reducing our dependence on imported oil, and lowering the cost of fuel to the consumer, the RFS has also served as the only federal legislation requiring greenhouse gas emissions reductions from the motor fuels sector. But with growing interest in reducing carbon emissions, many are contemplating how best to build upon the success of the RFS by exploring policies such as a Low Carbon Fuel Standard (LCFS) or a High Octane, Low Carbon (HOLC) fuel program.

The LCFS policy model already has a decade of success in California, where ethanol has provided more than 40 percent of the carbon reductions achieved under the program thus far. RFA has embraced the idea of a national LCFS that works in conjunction with the RFS, not as a substitute for it.

Meanwhile, RFA enthusiastically welcomed the introduction of the Next Generation Fuels Act in late 2020 by Rep. Cheri Bustos (D-IL). The bill would require an orderly transition to high octane (98 RON) low carbon fuels that would enable greater fuel efficiency and lower emissions. The RFA anticipates this effort to gain momentum in 2021.

The RFS has provided a sound foundation and a nationwide LCFS or HOLC program could add substantially to that success. For years to come, ethanol will be critical to future climate strategies, making it truly an Essential Energy.

SMALL REFINERY EXEMPTIONS



Source: EPA, as of 1/21/21

"For the last three and a half years, we have been forced to fight battle after battle...to ensure our country is meeting the full potential of biofuels. The *Next Generation Fuels Act* looks toward the future to make sure we bring an environmental lens to biofuels production, in order to increase demand while reducing carbon emissions."

– Rep. Cheri Bustos, D-IL

NEXT GENERATION FUELS ACT

KEY PROVISIONS:

- Requires EPA to allow automakers to use a new 98 Research Octane Number (RON) fuel to certify new vehicles for emissions and fuel economy, making 98 RON fuel available no later than January 1, 2022.
- Requires octane sources used in the new 98 RON fuel to result in at least 30 percent fewer greenhouse gas emissions than unblended gasoline, reducing emissions by at least 11 percent compared to current regular gasoline. Establishes a clean octane standard by limiting the aromatic hydrocarbon content of gasoline to an annual average of 17.5 percent by volume.
- Removes unnecessary and outdated regulatory barriers preventing more high octane, low carbon blends from entering the market by ensuring all ethanol blends greater than 10 percent receive the same Reid Vapor Pressure treatment as 10 percent and 15 percent blends.
- Requires automakers, beginning with the 2024 model year, to warrant vehicles for use on 98 RON fuel and ethanol blends up to and including 30 percent.