

EPA Proposes 2014 Renewable Fuel Standards, 2015 Biomass-Based Diesel Volume

Under the Clean Air Act (CAA), as amended by the Energy Independence and Security Act (EISA) of 2007, the Environmental Protection Agency (EPA) is required to set the annual standards for the Renewable Fuel Standard program (RFS) for each year. This regulatory action proposes to establish the annual percentage standards for 2014 for cellulosic, biomass-based diesel, advanced biofuel, and total renewable fuels that apply to gasoline and diesel produced or imported in year 2014. EPA is also required to determine the applicable national volume of biomass-based diesel that will be required in 2015, as the statute does not specify the applicable volumes for years after 2012.

The proposal seeks to put the RFS program on a steady path forward – ensuring the continued growth of renewable fuels while recognizing the practical limits on ethanol blending, called the ethanol “blend wall.” The blend wall refers to the difficulty in incorporating increasing amounts of ethanol into the transportation fuel supply at volumes exceeding those achieved by the sale of nearly all gasoline as E10 (gasoline containing 10 percent ethanol by volume). Although the production of renewable fuels has been increasing, overall gasoline consumption in the United States is less than anticipated when Congress established the program by law in 2007. In order to address that issue, EPA is proposing – to use existing authorities under the law – to reduce the advanced biofuel and total renewable fuel standards for 2014. The Agency is also proposing to maintain the same volume for biomass-based diesel for 2014 and 2015 as was adopted for 2013. Once the proposal is published in the Federal Register, it will be open to a 60 day public comment period.

EPA has also received several requests from regulated parties to partially waive the statutory volumes for 2014 and set them below the volumes specified in the statute. In a separate action, the Agency is seeking comment on these petitions for a waiver

of the renewable fuel standards that would apply in 2014. EPA expects that a determination on the substance of the petitions will be issued at the same time that EPA issues a final rule establishing the 2014 RFS standards.

Overview

The proposal discusses a variety of approaches for setting the 2014 standards, and includes a number of production and consumption ranges for key categories of biofuel covered by the RFS program. The proposal seeks comment on a range of total renewable fuel volumes for 2014, covering both ethanol and non-ethanol fuels, and proposes a level within that range for total renewable fuel at 15.21 billion gallons. For advanced biofuel, EPA proposes to reduce the statutory volume to the sum of the cellulosic volume, the biomass-based diesel requirement, and the additional non-ethanol advanced biofuels that could reasonably be expected to be available and consumed, at a level of 2.20 billion gallons.

The proposed standards reflect EPA's updated production projections, which are informed by extensive engagement with industry and a thorough assessment of the biofuels market. Proposing this reduction from the statutory levels is intended to put the program on a manageable trajectory while still allowing for growth in advanced and total renewable fuels over time.

There are two different authorities in the statute that permit EPA to reduce volumes of advanced biofuel and total renewable fuel below the volumes specified in the statute. When the Agency lowers the applicable volume of cellulosic biofuel below the volume specified in the CAA, EPA also has the authority to reduce the applicable volumes of advanced biofuel and total renewable fuel by the same or a lesser amount. The Agency can also reduce the applicable volumes of renewable fuel under the general waiver authority provided by the CAA under certain conditions. This proposal uses a combination of these two authorities to reduce volumes of both advanced biofuel and total renewable fuel to address two important constraints:

- Limitations in the volume of ethanol that can be consumed in gasoline given practical constraints on the supply of higher ethanol blends to the vehicles that can use them and other limits on ethanol blend levels in gasoline – a set of factors commonly referred to as the ethanol “blend wall”
- Limitations in the ability of the industry to produce sufficient volumes of qualifying renewable fuel

Proposed 2014 Ranges and Volumes

This rulemaking also provides an evaluation of the expected volumes of cellulosic biofuel for 2014. Based on an assessment of the available volumes of cellulosic biofuels, EPA is proposing to set the cellulosic biofuel standard at 17 million gallons, significantly lower than CAA target of 1.75 billion gallons. This projection reflects EPA's current estimate of what will actually be produced in 2014, but EPA will consider public comments before setting the final cellulosic standard. In addition, EPA is proposing to maintain the biomass-based diesel standard for 2014 and 2015 at the 2013 level of 1.28 billion gallons. Higher volumes of biomass-based diesel can be used to help meet the volume requirement for advanced biofuel.

The projected 2014 volumes used to determine the proposed percentage standards are shown in Table 1.

Table 1
Volumes Used to Determine the Proposed 2014 Percentage Standards

Category	Volume ^a	Range
Cellulosic biofuel	17 mill gal	8-30 million gallons
Biomass-based diesel	1.28 bill gal	1.28 billion gallons ^b
Advanced biofuel	2.20 bill gal	2.0-2.51 billion gallons
Renewable fuel	15.21 bill gal	15.00-15.52 billion gallons

^aAll volumes are ethanol-equivalent, except for biomass-based diesel which is actual

^bEPA is requesting comment on alternative approaches and higher volumes

Four separate percentage standards are required under the RFS program, corresponding to the four separate volume requirements shown in Table 1. The percentage standards represent the ratio of renewable fuel volume to non-renewable gasoline and diesel volume. Thus, in 2014 about 10% of all fuel used would be from renewable sources. The proposed standards for 2014 are shown in Table 2.

Table 2
Proposed Percentage Standards for 2014

Cellulosic biofuel	0.010 percent
Biomass-based diesel	1.16 percent
Advanced biofuel	1.33 percent
Total renewable fuels	9.20 percent

Once the proposal is published in the Federal Register, it will be open to a 60 day public comment period. The Agency expects to receive additional data during the public comment period and can adjust the proposed volumes as appropriate based on the latest information.

RFS Waiver Requests

In a separate Federal Register Notice, EPA is seeking comment on petitions for a waiver of the renewable fuel standards that would apply in 2014. The American Petroleum Institute (API) and the American Fuel & Petrochemical Manufacturers (AFPM) submitted a joint petition to the Administrator, dated August 13, 2013, on behalf of their members requesting a partial waiver of the 2014 applicable volumes under the RFS. Subsequently, several refining companies submitted individual petitions that also request a waiver. Section 211(o)(7)(A) of the Clean Air Act allows the Administrator of the EPA to waive the national volume requirements of the renewable fuel standard program in whole or in part if implementation of those requirements would severely harm the economy or environment of a State, a region, or the United States, or if the Administrator determines that there is inadequate domestic supply of renewable fuel. EPA recognizes that there is significant overlap in the supporting data and issues raised in the

petitions for a waiver and EPA's rulemaking to set the RFS percentage standards for 2014, and EPA requests that comments on the waiver petitions be submitted in the same time frame as comments on the rulemaking proposal. In light of the overlap in issues between the rulemaking proposal and petitions for waiver, EPA expects that our determination on the substance of the petitions for a waiver of the 2014 statutory volumes will be issued at the same time that EPA issues a final rule establishing the 2014 RFS standards.

For More Information

For more information on this proposal, please visit the RFS website at:

www.epa.gov/otaq/fuels/renewablefuels

To submit a question on the RFS program, and to view Frequently Asked Questions, please visit:

www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/index.htm