

United States Senate
WASHINGTON, DC 20510

August 1, 2013

The Honorable Barack H. Obama
President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear President Obama:

Nearly eight years ago, Congress enacted the Energy Policy Act of 2005 (EPAct) which established the first Renewable Fuel Standard (RFS). This program required refiners and importers of gasoline and diesel to use 7.5 billion gallons of biofuels by 2012. In 2007, Congress significantly expanded this law in the Energy Independence and Security Act of 2007, which increased the mandate to 36 billion gallons of biofuels by 2022.

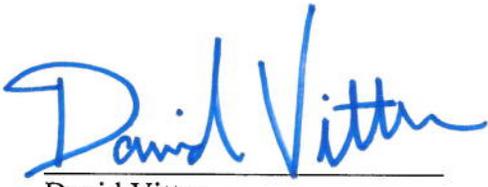
Unfortunately, the premise and structure of the RFS were based on many assumptions that no longer reflect the current market conditions. At the time the RFS was enacted, the U.S. Energy Information Administration (EIA) projected rising gasoline demand each year in the coming decades. The EIA also forecasted a continued rise in crude oil imports. A combination of the recession and the 2011 fuel economy standards has lowered the demand for gasoline in the U.S. In fact, the 2007 EIA Annual Energy Outlook (AEO) projected a 12 percent higher demand for gasoline in 2013 than is actually occurring. The 2013 AEO (early release) projects 2022 gasoline demand will be 28 percent lower than in the 2007 projection. Likewise, the level of crude oil imports has decreased to around 40 percent from a high of 60 percent in 2005.

The combination of rising ethanol mandates and declining gasoline consumption has exacerbated the onset of the E10 blendwall – the point at which the gasoline supply is saturated with the maximum amount of ethanol that current vehicles, engines, and infrastructure can safely accommodate. This year, the U.S. will consume approximately 133 billion gallons of gasoline and 0.13 billion gallons of E85. At 10 percent of gasoline demand, the blendwall occurs at 13.3 billion gallons even as the conventional biofuel (e.g. corn ethanol) mandate rises from 13.8 billion gallons in 2013 to 14.4 billion in 2014. Clearly, the market is anticipating the onset of the blendwall, as evidenced by the escalating price of ethanol renewable identification numbers (RINs), which reached a record high of \$1.46 the week of July 15 after averaging below \$0.04 in previous years.

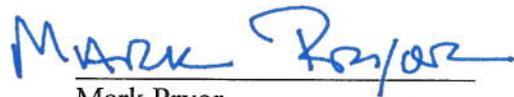
The quicker-than-anticipated onset of the blendwall—coupled with stagnant demand for E85 and ongoing legal, market, and technical challenges with E15—now threatens to raise fuel prices and damage the engines of our constituents. In recent testimony before Congress, the Environmental Protection Agency (EPA) noted with respect to 2014 that the challenge becomes much greater as the statutory volumes increase substantially, and asked the public for comments and advice on whether to waive the requirements.

Indeed, the EPA Administrator has the authority to waive the 2014 volumes below 10 percent and to ensure additional adverse impacts do not occur. We respectively ask that you direct your Administration to take these steps while Congress continues to examine options for a long term policy solution.

Sincerely,



David Vitter



Mark Pryor



James Inhofe