United States Senate

WASHINGTON, DC 20510

March 20, 2013

The Honorable Gina McCarthy
Assistant Administrator,
Office of Air and Radiation
Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Dear Assistant Administrator McCarthy:

The Energy Independence and Security Act of 2007 (EISA) extended and expanded the Renewable Fuel Standard mandate to include 36 billion gallons of renewable fuel by 2022. As you are aware, the Renewable Fuels Standard (RFS2) requires obligated parties to utilize required volumes of renewable fuels or purchase Renewable Identification Numbers (RINs) to demonstrate compliance. Specifically, ethanol RINs can only be generated when ethanol is produced or imported, and RINs can only be used for RFS compliance after the ethanol is blended with gasoline. While concerns including price volatility and higher prices for RINs were raised during the RFS rulemaking process, EPA stated it did not foresee RINs adding any significant cost to the use of renewable fuel. EPA's assessment appears now to be entirely incorrect. Due to infrastructure constraints, low consumer demand, and the prevalence of engines not designed or warranted to use more than 10 percent ethanol, a "blend wall" is in the process of being hit. The inflated volumes of ethanol required to be blended under the RFS and the volume of gasoline demand no longer correlate.

The market price for such ethanol RINs was $0.05 in late 2012; however, recent prices for RINs have skyrocketed and have been as high as $1.10. Reports cited several reasons for the rapid price increase, including declining gasoline demand, the ethanol "blend wall", unrealistic RFS mandates, and recent instances of fraud in the RIN market which increased uncertainty among obligated parties. These reports also make clear that, as RIN prices continue to climb, refiners will be forced to pass along the increased costs to consumers, export more product overseas, or lower refinery utilization rates. As a recent report from Morgan Stanley states, "After RIN inventories are depleted, we expect lower U.S. refining utilization rates and higher gasoline prices until Congress or the EPA eases the RFS." These conclusions are not mere analyst speculation, as a March 8, 2013, article in *Platts* cited a report that said, "RIN costs have added 10 cents to a gallon of gasoline at retail."

As gas prices remain close to $4.00 a gallon, any artificial increase in the cost per gallon has a dramatic impact on the nation's economy and on the everyday lives of working Americans. Millions of Americans depend on affordable and reliable energy to travel to and from their jobs as well as to job interviews or job training programs. As our economy attempts to recover, government mandates should not be increasingly burdensome for our citizens.

To avoid these and other negative consequences, it is imperative that EPA act decisively. Accordingly, we ask that you utilize any and all existing regulatory authority and flexibility to address the issue of rising RIN costs and alleviate the threat of increased consumer fuel costs. We also ask that you respond to this letter within fourteen [14] days with a detailed plan describing how you intend to address these concerns.

This issue will remain the focus of significant congressional interest as more reports and studies are published on how RIN prices impact the nation's economy. In the meantime, we encourage you to take action to protect working families and address yet another implementation issue with the RFS. We look forward to working with you to accomplish these goals.

Sincerely,

David Vitter
Ranking Member
Environment and Public Works

Lisa Murkowski
Ranking Member
Energy and Natural Resources