

September 1, 2011

Caryn Muellerleile
RFA/ SBREFA Staff Contact
EPA Office of Policy
Washington, DC 20590
VIA EMAIL: muellerleile.caryn@epa.gov

Lanelle Wiggins
RFA/ SBREFA Team Leader
EPA Office of Policy
Washington, DC 20590
VIA EMAIL: wiggins.lanelle@epa.gov

Ms. Muellerleile and Ms. Wiggins,

The Renewable Fuels Association (“RFA”) appreciates the opportunity to comment on the Small Business Advocacy Review Panel (“Panel”) discussions related to elements of the Environmental Protection Agency’s (“EPA”) upcoming Tier 3 motor vehicle and emissions rulemaking.

RFA is the national trade association representing the U.S. ethanol industry and many of our member companies qualify as small businesses. Ethanol has become an essential component of the U.S. motor fuel market. Today, ethanol is blended in nearly all of the nation’s gasoline, and is sold from coast to coast and border to border. The 13.2 billion gallons of ethanol produced and sold in the United States last year contributed significantly to the nation’s economic well-being, environmental quality and energy security.

As a general matter, EPA’s Tier 3 regulations should complement the Renewable Fuels Standard (“RFS”) program and be structured to facilitate expanded use of renewable fuels in the marketplace consistent with Congressional intent. Consequently, we believe EPA should strongly consider bifurcating the rulemaking such that changes to the certification fuel specification and new requirements for Reid vapor pressure (“RVP”) proceed on one track, while expected changes to sulfur content limits proceed on a separate track. As described in more detail below, we believe the market can adopt a new certification fuel and new RVP requirements in a relatively short timeframe, while adoption of the expected new sulfur content requirements is likely to require more lead time and a more gradual phase-in.

Our comments focus on four key issues raised during the Panel discussions to date: (1) RVP requirements; (2) sulfur content; (3) certification fuel; and (4) flex fuel vehicle (FFV) certification requirements.

RVP Requirements

It is our understanding that EPA is expecting to propose new RVP standards that, beginning in 2016, would reduce the conventional gasoline caps to which the 1 psi waiver for 10% ethanol blends (“E10”) would not apply. EPA has indicated it is considering lowering the current 10 psi cap to 9 psi, and lowering the 8.8 psi cap for southern nonattainment areas to 7.8 psi. RFA is not opposed to EPA’s expected proposals related to RVP requirements.

However, in regard to the 1 psi waiver for E10, we believe EPA should be consistent in its treatment of RVP requirements for *all* ethanol blends up to 15% by volume (“E15”). EPA’s initial decision to grant the 1 psi waiver to E10 blends was based on two fundamental findings: 1) that supplies of low-RVP gasoline blendstock for E10 blending were insufficient, and 2) that the increased volatility associated with the 1 psi waiver was more than offset by reduced carbon monoxide and exhaust hydrocarbon emissions from E10. Recent analyses have shown that the vapor pressure of E15 is lower than it is for E10.¹ Further, there is evidence that E15 provides greater reductions in carbon monoxide and exhaust hydrocarbon emissions than E10. It is also likely that there is currently insufficient low-RVP gasoline blendstock to accommodate broad E15 blending (i.e., without a 1 psi waiver). Thus, the same two findings that led EPA to issue the 1 psi waiver for E10 also apply to E15. As such, if the 1 psi waiver continues to apply to E10, there is no logical reason that it should not also be applied to E15.

Nonetheless, EPA has indicated it is considering eliminating the 1 psi waiver for E10. We are not opposed to such an action, provided that RVP caps are administered consistently across all ethanol blend levels. That is, if EPA decides to discontinue the 1 psi waiver for E10, it should do so immediately so that E10 and E15 are being treated consistently in the marketplace with regard to RVP. This is a critical issue for the near term, as E15 is expected to enter the market soon (following completion of the fuel registration process). Discrepancies in the treatment of RVP limits for E10 and E15 may impede the introduction of E15. Consistent treatment of RVP requirements for ethanol blends up to E15 will reduce the potential for more “boutique fuels” and maximize flexibility for refiners and gasoline marketers.

As stated earlier, RFA also encourages EPA to consider different timelines for phasing in new RVP requirements and expected new gasoline sulfur content requirements. We believe expected changes to RVP requirements can be adopted in a relatively short time frame, while changes to the sulfur content requirements likely will take more time.

Sulfur Content Requirements

EPA has indicated that it is considering lowering sulfur standards for both ethanol and gasoline as part of the Tier 3 rulemaking. The agency is expected to propose a maximum average sulfur level of

¹ “Vapor pressure typically rises with the addition of ethanol to gasoline. The increase is greatest at 10% by volume. At higher concentrations, the vapor pressure of the blend decreases.” Determination of the Potential Property Ranges of Mid-Level Ethanol Blends. American Petroleum Institute. April 2010.

10 ppm for gasoline beginning in 2016. RFA recognizes that EPA's proposal to reduce the sulfur content of blended gasoline supports the agency's efforts to improve the overall combustion emissions profile for light-duty vehicles. Therefore, we are not opposed to the expected proposal for changes in gasoline sulfur content standards. However, we encourage EPA to consider implementing the proposed new sulfur limits on a separate and lengthier timeline from the expected RVP changes.

In regard to proposed sulfur limits for ethanol, it is worth noting that most ethanol producers today already are voluntarily producing ethanol with a 10 ppm sulfur maximum. Following California's adoption of gasoline sulfur limits that were more stringent than EPA's Tier 2 limits, RFA's member producers in 2002 adopted a recommendation that all ethanol sold for fuel use in the United States be compliant with California sulfur standards. As such, the increased blending of ethanol with gasoline in recent years has resulted in blended gasoline having lower overall sulfur content.

We feel compelled to point out that the primary source of sulfur in denatured ethanol is the hydrocarbon denaturant itself. Very little sulfur is contained in the feedstocks and processing aids used for ethanol production. However, Alcohol, Tobacco and Trade Bureau (TTB) regulations require that only hydrocarbon compounds, some of which potentially contain high levels of sulfur, may be used as denaturant. Thus, the primary concern for ethanol producers regarding proposed sulfur limits on ethanol is continued access to low sulfur hydrocarbon denaturants. To ensure maximum flexibility in denaturant use, EPA should consider allowing "corporate average" sulfur levels for ethanol manufacturers, similar to what is being proposed for gasoline manufacturers. Alternatively, EPA could consider a sulfur maximum for denaturant, similar to California's regulations.

Overall, RFA is not opposed to the expected changes in ethanol sulfur content standards, provided that sufficient supplies of low sulfur denaturant continue to be available.

Certification Fuel

EPA is expected to propose a new certification fuel containing 15% ethanol by volume and having RVP of 9 psi. The agency has stated that transitioning to E15 as a certification fuel is necessary because it would be more representative of the motor fuel that will be predominant in the marketplace in the near future. RFA strongly supports moving to a certification fuel that contains the highest level of ethanol that is likely to be in broad commercial use in the next 5-10 years. In light of EPA's recent approval of E15 for use in light-duty automobiles built in 2001 or later, we agree that E15 is a good starting point for discussions on a new certification fuel specification. The agency should be mindful, however, that RFS requirements and the increasing desire for higher octane fuels to maximize engine efficiency are likely to drive average ethanol content above E15 over the course of the next 10 years. EPA has also indicated that the proposed new certification fuel would apply to non-road engines as well. We strongly support this proposal and believe it is necessary to ensure new non-road equipment is properly engineered.

While we agree with EPA's general direction on certification fuel specifications, we encourage the agency to strongly consider what other fuel properties and characteristics, such as minimum octane rating, will be necessary to achieve the recently finalized 2017 mileage and vehicular GHG emissions standards. EPA should be mindful of these properties and characteristics as it designs the specifications for the new certification fuel.

RFA believes EPA should move as expeditiously as possible to implement a new certification fuel containing the highest level of ethanol that is likely to be in broad commercial use in the near future. As recommended earlier, EPA should consider bifurcating this rulemaking such that changes to the certification fuel and RVP requirements can be effectuated sooner than proposed changes to sulfur limits.

Flex Fuel Vehicle Certification Requirements

In an effort to make Federal standards more consistent with California's LEV III program, EPA is expected to propose new light-duty vehicle exhaust standards for NMOG, NOx and PM, as well as new evaporative emissions standards. Vehicle manufacturers have expressed serious concerns about the inability to certify emissions of flex fuel vehicles (FFV) under California's LEV III standards when those vehicles are operating on E85. At issue is the fact that control of NMOG emissions during cold start conditions is more difficult on E85 due to the fuel's volatility characteristics. Thus, when operating on E85, NMOG emissions from FFVs tend to exceed NMOG standards before the catalyst is warmed up. The inability to certify FFVs under the California LEV III program has resulted in greatly restricted sales of FFVs in the state.

As EPA itself has acknowledged, the increased availability of FFVs is paramount to the successful implementation of the RFS. Thus, we encourage EPA to carefully consider how certification of emissions from FFVs should be handled under the proposed new light-duty exhaust standards.

* * * * *

RFA greatly appreciates the opportunity to participate in the Tier 3 pre-proposal process and we look forward to continued discussions with EPA and other stakeholders on this matter.

Sincerely,

A handwritten signature in black ink that reads "Bob Dinneen". The signature is written in a cursive style with a long horizontal stroke at the end.

Bob Dinneen