

RFA Hits Wheeler's Claim SREs Haven't Hurt Ethanol Demand

EPA Administrator Andrew Wheeler's assertion last week that agency-approved small refinery exemptions (SREs) from the Renewable Fuel Standard (RFS) have had no impact on U.S. ethanol demand has drawn another rebuke from the biofuels industry.

In a Wednesday letter to Wheeler, the Renewable Fuels Association (RFA), an ethanol industry trade group, cited "several misstatements" it said Wheeler made when he appeared before the U.S. House Science, Space and Technology Committee on Sept. 19.

During an exchange with Rep. Brian Babin, R-Texas, Wheeler said ethanol demand has risen marginally under the Trump administration, despite his agency's approval of 85 SREs for the 2016, 2017 and 2018 RFS compliance years.

Wednesday's letter was preceded by a similar complaint RFA sent to the agency in August after EPA said there was "zero evidence" that SREs are harming ethanol producers.

"In light of our August letter and the further deterioration of ethanol market conditions that has subsequently occurred, we were disappointed to hear you repeat similar claims about the impact of SREs on ethanol producers during your testimony," RFA President and CEO Geoff Cooper told Wheeler.

"Several statements made during the hearing about ethanol supply and demand are inconsistent with government data and market intelligence," he added.

RFA questioned the accuracy of Wheeler's assertions to the committee that ethanol production and consumption is rising, "when data from the Department of Energy and EPA itself indicate otherwise."

"In reality," Cooper wrote, "U.S. ethanol consumption has shown a downturn -- not an uptick -- in the last two years."

Cooper asked the agency to analyze "the actual marketplace implications of retroactive SREs," adding that "EPA statements suggesting there has been no negative economic impact from SREs are an insult to the thousands of biofuel industry workers and farmers who are experiencing very real pain today because of EPA decisions."

RFA's Wednesday letter comes after Growth Energy CEO Emily Skor on Friday also questioned Wheeler's statements, describing them as part of a month-long effort by the agency "to paper over the devastating impact these refinery handouts have had on farm communities and rural works in America's biofuels sector. They can't hide the simple fact that dozens of biofuel plants have closed or idled and ethanol consumption fell for the first time in 20 years in the wake of these exemptions."

The question of whether SREs have led to a loss of demand for ethanol has been hotly debated, with many in the oil industry arguing that ethanol blend rates have shown no decline since EPA began granting the waivers.

Still, the ethanol industry is continuing to press its argument that SREs have eroded demand for its product as the White House works on a proposal that could direct EPA to increase next year's renewable fuel blending targets and possibly add back some volumes waived by SREs.

In a call with reporters on Thursday, a handful of Midwest corn farmers and ethanol producers said SREs had reduced demand for their crops and for the biofuel.

"From a farmer's perspective, the cost of production this year has been such that there is not a good promise of return," John Linder, a corn farmer from Edison, Ohio, said on the call. "Raising crops with short markets due to the SREs becomes a financial burden," he said, adding that the exemptions "will have a long-term impact as we go forward."

Iowa farmer Daryl Haack said the SREs could cost President Trump politically next year, adding that while farmers understand tariffs the U.S. has imposed against China, "they don't understand the SREs. They are going to hold that against him unless things change."

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