

December 15, 2017

President Donald J. Trump
The White House
1600 Pennsylvania Ave, NW
Washington, DC 20500

Dear Mr. President,

We are writing to express our appreciation to you for standing strong on the Renewable Fuel Standard (RFS) and protecting millions of rural Americans and hard-working farmers who depend on the economic opportunities created by the U.S. biofuel industry. We also wish to offer some insights on how to maintain growth under the program while minimizing any potential for undue financial stress in certain parts of the refining industry.

As you have said many times, the RFS has reenergized rural America. The 300 biorefineries operating across the country today support hundreds of thousands of manufacturing jobs, reduce foreign oil dependence, and keep fuel prices down. The RFS is necessary because fuel markets are not free markets. Without appropriate policy intervention the United States would remain dependent on foreign oil and continue to enrich countries often hostile to our interests. The RFS is working, and we very much appreciate your unwavering support for the program.

We are aware of the viewpoints expressed by some refiners about RFS credit (or "RIN") prices. Importantly, refiners are not required to buy RINs under the RFS; rather, a RIN credit is attached to each RFS-eligible biofuel gallon purchased. If a refiner chooses instead to buy a RIN credit, the Environmental Protection Agency (EPA) ruled last month that "refiners are generally able to recover the cost of RINs in the prices they receive for their refined products, and therefore high RIN prices do not cause significant harm to refiners." Oil companies and refiners are making investments in biofuel infrastructure to allow them to sell RINs and profit from the RFS. Recent quarterly earnings statements evidence that – despite claims to the contrary – independent refiners are doing quite well. Consumers then save at the fuel pump because biofuels displace expensive fuel additives and extend the supply of homegrown energy.

The biofuels industry has for years advocated for policies that would bring down the price of RINs. For example, the ethanol industry has spent years trying to secure regulatory parity for Reid Vapor Pressure (RVP) between ethanol-blended fuels and standard gasoline fuels. Outdated RVP rules needlessly constrain ethanol blending and put more pressure on RIN markets. Many of the refiners concerned about RIN prices oppose the RVP fix that would bring down RIN costs. Lifting outdated RVP regulations on fuel retailers would create new economic opportunity across America's heartland, generating a vast new supply of RINs and easing compliance among refineries that elect to purchase biofuel credits instead of biofuel liquid gallons to comply with the RFS.

Likewise, some of the instability in RIN prices is the result of a lack of transparency in RIN trading markets. The biofuels industry has asked the EPA and the U.S. Commodity Futures Trading Commission (CFTC) to improve transparency to prevent market manipulation. We have made some progress, but there are additional safeguards available to stabilize RIN prices.

Finally, RFS implementation continues to be constrained by the inequitable treatment of biofuels and oil in the U.S. tax code. The oil industry receives billions of dollars annually in permanent tax breaks that de-risk investment in oil extraction and infrastructure. In contrast, the tax incentives and investment vehicles offered to biofuels expire frequently and disrupt the commercial deployment of homegrown fuels. We are not taking a position on oil subsidies here, but curing inequity in the U.S. tax code would help your Administration address the concerns raised by some refineries around the RFS. Extending the biodiesel credit and the second-generation biofuels producer tax credit (PTC), and addressing other tax and infrastructural inequities (e.g. Master Limited Partnerships), would level the playing field while encouraging biofuel production and holding down fuel prices. Long-term certainty around these tax provisions would not only stabilize RIN values, it would increase demand for biofuels and generate a strong and affordable supply of additional RINs for refineries.

Mr. President, we appreciate your refusal to implement policy changes that would undermine billions of dollars of RFS investments and harm hundreds of thousands of Americans working hard to make the policy work. There are ways to address RIN values for refiners without undercutting the RFS and rural America. We have been working on many of them for years, and we would welcome the opportunity to move these ideas forward.

Once again, thank you for supporting the RFS.

Sincerely,









Pacific Ethanol, Inc.



