

Congress of the United States
Washington, DC 20515

August 8, 2016

The Honorable Gina McCarthy
Administrator
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Dear Administrator McCarthy:

As members of the California delegation, we are writing to express concern that the Environmental Protection Agency's (EPA) proposed rule (Docket ID No. EPA-HQ-OAR-2016-0004) setting Renewable Volume Obligations (RVO) for 2017 under the Renewable Fuel Standard (RFS) fails to get the program back on track and should be revised to reflect congressional intent.

The RFS was created to reduce our dependence on foreign oil and provide U.S. consumers with access to cleaner transportation fuels. Despite the recent increase in domestic oil production, the U.S. economy remains heavily dependent on foreign oil and at the mercy of international market prices. As Dennis Blair, former Director of National Intelligence and head of the Navy's Pacific command recently noted at an energy security conference on May 18, "The American oil shale revolution has not fundamentally changed this dependence on other countries... In a worldwide oil market, we are still at the mercy of fluctuations in Chinese economic growth or Saudi production decisions."

Since the RFS was established in 2005 and expanded in 2007, the biofuels industry has stepped up to the challenge. Through billions of dollars in private investment, the U.S. has become a leader in homegrown, clean biofuels. In California alone, there are now dozens of companies working on biofuels – from algae and biodiesel-based projects to municipal solid waste – supporting nearly 60,000 jobs statewide. In addition to providing a domestic transportation fuel not subject to the ups and downs of the global oil market, the biofuels sector is essential to our effort to address climate change. The RFS is one of the few tools we have now to reduce transportation emissions, and a strong RFS is vital to implementing our state's low carbon fuel standard.

Unfortunately, EPA's proposed RVO rule for 2017 threatens the progress we are making. EPA proposed a total renewable fuel volume of 18.8 billion gallons for 2017 – up from 18.1 billion gallons in 2016 – comprised of four billion gallons of advanced biofuel blending and 14.8 billion gallons of conventional biofuel blending. While we applaud EPA for moving in the right direction, the proposed rule falls short of the statutory volumes set by Congress and continues to rely on a flawed "distribution waiver" methodology that has sent a chilling signal to biofuels investors since initially proposed in November 2013.

Under this methodology, which Congress previously rejected, EPA allows the oil industry to avoid its statutory blending obligation by claiming there is inadequate infrastructure to bring

more biofuels to consumers. Yet due to the fact that the oil industry controls the fuel distribution infrastructure, the EPA is essentially allowing the oil industry to cap the RFS and limit future growth in the biofuels sector. Since first proposed in 2013, these distribution waivers have created considerable uncertainty, stalled investment in biofuels, and driven innovation and investment overseas. The Biotechnology Innovation Organization estimated in a June 2016 analysis that, between delays in finalizing the rules and the inclusion of distribution waivers, EPA's actions have caused a shortfall in \$22.7 billion in domestic investment in advanced biofuels, with projects having left the country or put on hold indefinitely.

There also has not been a single commercial scale cellulosic project announced in the U.S. since the 2013 rule was proposed, yet development is proceeding in Brazil, Europe, and China.

Between increased fuel demand and the greater availability of higher ethanol blends, EPA can more than justify increasing volumes for 2017 to get the RFS back on track. We urge EPA to act to eliminate the distribution waivers thereby helping to ensure stability for the RFS and the advanced and cellulosic biofuels industry, reducing our dependence on foreign oil, and improving emissions.

Sincerely,



Eric Swalwell
Member of Congress



Scott H. Peters
Member of Congress



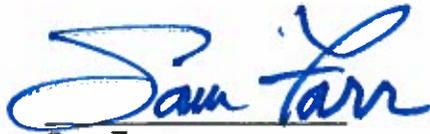
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