

**STATEMENT OF MICHAEL MCADAMS
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**before the
SUBCOMMITTEE ON ENERGY AND POWER COMMITTEE ON ENERGY AND
COMMERCE**

U. S. HOUSE OF REPRESENTATIVES

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SUMMARY

ABFA represents more than 40 of the leading technology innovators in advanced and cellulosic biofuels, as well as a number of agriculture biomass-to-energy feedstock providers. The 500 million gallons mismatch of ethanol use in the gasoline pool that is the blend wall issue represents 1/30th or 3.3% of the entire US renewable fuels industry and less than 0.2% of the US fuel market. Calling for the full repeal of the RFS over a short term issue impacting less than 1% of all the fuels we use doesn't make a lot of sense as a public policy issue. For ABFA's members, the debate over repealing the RFS is having a chilling effect on the investment community and is restraining the growth and ability of our member companies to move forward. Despite this, many of them are making real gallons of cellulosic gasoline and diesel, as well as renewable diesel and other RFS approved fuels - today. Providing an additional year of clarity with a combined 2014 and 2015 RVO rule would help rapidly defuse much of the economic pressure. The Committee should encourage EPA to explore a combined 2014 and 2015 rule.

TESTIMONY

Chairman Whitfield, Ranking Member Rush, and Members of the Committee: it is an honor to be here today on behalf of the Advanced Biofuels Association. ABFA represents more than 40 of the leading technology innovators in advanced and cellulosic biofuels, as well as a number of agriculture biomass-to-energy feedstock providers.

In the past three months, ABFA has responded to four of your white papers and is currently preparing a fifth response. The white papers have been comprehensive and extremely detailed, which reflects the depth and serious nature of your inquiry. We congratulate the Committee and your staff for this bipartisan, thoughtful and substantive approach.

Given that ABFA has provided the Committee detailed answers on the RFS, I would like to step back this morning to accomplish three things. The first is to set some context around the RFS debate. The second is to call the impacts of this debate into focus. Finally, the third is to offer a near term solution to some of the issues being raised.

Congress expanded the RFS to stimulate an advanced and cellulosic biofuels industry to encourage larger greenhouse gas reductions and develop more energy dense "drop-in" fuels. Many of these new advanced biofuels are hydrocarbons that are compatible with our existing pipelines, refineries, planes, trains, ships and automobiles. ABFA member companies are delivering on that vision today.

Advanced biofuels draw on a wide range of feedstocks and their molecules can be of high energy density, so consumers will travel farther on their gallon. Additionally, they receive higher RIN value under the RFS2, making it easier to meet the targets of the RFS.

Today's hearing is largely about concerns surrounding the "blend wall". Simply stated it is the mismatch between the numbers of gallons of gasoline the US market is demanding and the number of gallons of ethanol the RFS calls to be mixed into that gasoline. With a 10% limit on the ethanol-to-gasoline ratio, there is a mismatch of roughly 500 million gallons in 2013.

However, the RIN bank carry over provisions in the law allow RINS from 2012 to meet the proposed targets in 2013 and enough exist to easily achieve the mandate. RIN market makers question whether that will be the case in 2014 and 2015.

This year, the United States of America will use around 213 billion gallons of fuel, of that around 15 billion gallons will be renewable fuel. The 500 million gallons mismatch of ethanol use in the gasoline pool represents 1/30th or 3.3% of the entire US renewable fuels industry and less than 0.2% of the US fuel market.

Calling for the full repeal of the RFS over a short term issue impacting less than 1% of all the fuels we use doesn't make a lot of sense as a public policy issue.

For ABFA's members, the debate over repealing the RFS is having a chilling effect on the investment community and is restraining the growth and ability of our member companies to

move forward. Despite this, many of them are making real gallons of cellulosic gasoline and diesel, as well as renewable diesel and other RFS approved fuels - today.

In 1990, this Committee saw in the Clean Air Act an opportunity for biofuels to contribute to meeting national energy and environmental goals by creating a 2% oxygen mandate for gasoline. It was a control measure at the time to reduce air pollution in both the winter and the fall in certain locations. In 2005 you created the RFS and called for a mandate of 7.5 billion gallons by 2012, and then in 2007 amended it with a focus to develop an innovative advanced and cellulosic industry and called for 36 billion gallons by 2022.

In the last six years, US businesses have spent \$14.72 billion dollars in pursuit of the policy goal you collectively laid down for this country. According to Bloomberg, \$33 billion has been invested world-wide in this sector over the last four years. These numbers represent people and jobs all over America: jobs in rural America planting and cultivating the best new energy crops, jobs building and operating biorefineries, technology and engineering jobs, and laboratory jobs researching new feedstocks and enzymes and many more.

To repeal the RFS would pull the rug right out from under them and change the rules in the first half of the game. This confusing policy signal is a benefit to incumbent players in the fuels market and a significant disadvantage to those trying to finance and build new innovative technologies.

A potential short term solution can be found at EPA. When Congress passed the RFS2 in 2007 it provided EPA with significant flexibility and authority to address issues which could arise from hurricanes, droughts, and unforeseen economic factors. As a result of this inherent flexibility, everyone at this table understands that, between the gallons produced in all categories of the RFS and the extra RINs brought forward from 2012, there are sufficient RINs and gallons to meet the proposed targets of the RFS for 2013.

The challenge is whether that will still be true in 2014 and 2015.

Before coming to the suggested solution, it is worth noting the Federal District Court case won by API and AFPM. This decision resolved concerns about EPA putting its thumb on the scale to call for gallons of cellulosic fuels that were not likely to be produced. In the end, the Court vacated the mandates for 2011 and 2012 and returned the money to the refining industry. The 2013 RVO numbers will likely show that EPA has taken this decision into account and is acting in line with the courts direction. Candidly, this does not help drive the funding and development of the cellulosic industry. It creates a standard that lags behind the actual gallons being made instead of creating a target goal to achieve.

Much of what is difficult about the RFS today is the uncertainty of the annual obligations. ABFA and others have called on EPA to release the Renewable Volume Obligations (RVOs) for 2013 and 2014 as quickly as possible. Providing an additional year of clarity with the 2015 RVOs would help rapidly defuse much of the economic pressure those of us on this side of the table are feeling. This Committee should encourage EPA to explore a combined 2014 and 2015 rule.

A clear signal from EPA, given to stakeholders in advance, with targets for 2014 and 2015, would be a huge step forward in adjusting EPA's procedures to help all of our markets work more smoothly.

ABFA stands ready to constructively engage with this Committee and the other stakeholders in this debate.

Thank you for the opportunity to testify today.