



July 20, 2009

Lisa Jackson
Administrator, Environmental Protection Agency (EPA)
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Submitted via electronic mail to: a-and-r-docket@epa.gov

RE: Ethanol Blend Increase/Docket ID # EPA-HQ-OAR-2009-0211

Dear Administrator Jackson:

The New Fuels Alliance (NFA) appreciates the opportunity to provide written comments to U.S. EPA related to Section 211 (f)(4) of the Clean Air Act (EPA-HQ-OAR-2009-0211). We are writing to respectfully urge you to support a petition submitted to U.S. EPA that would provide a waiver for ethanol/gasoline blends of up to 15 percent ethanol by volume.

NFA is a national, not-for-profit organization that educates political leaders, regulators, public interest groups, businesses, and the general public about the economic, environmental and other benefits associated with non-petroleum fuel production and use. Its organizational purpose is to bring together the wide range of groups and sectors that are stakeholders in the development of non-petroleum fuels to build a broad and diverse base of support for a more sustainable fuel-energy future in the United States.

As you know, the Energy Independence and Security Act of 2007 (EISA 07) committed the United States to use significantly increased volumes of renewable fuels. The law requires more than 21 billion gallons per year of advanced biofuels by 2022 and includes extensive environmental protections and safeguards for all participating fuels. Increasing the current ethanol blending level from 10 percent (E10) to 15 percent (E15) will play a major role in achieving the requirements of the expanded Renewable Fuel Standard (RFS) set forth in EISA 07.

While NFA understands that EPA's assessment of the waiver request will be based largely on environmental and performance metrics, it is important to note that a waiver approval would have significant impacts on economic development, energy security and other critical national priorities. We hope that EPA will consider the vast array of ancillary benefits to increasing the blending capacity of renewable fuels produced in the United States.

Increased Ethanol Blends Represent Important New Markets

In the absence of a federal Flexible-Fuel Vehicle (FFV) mandate, it is important for regulators and policymakers to recognize that lower blends of ethanol—ranging from E10 to E15—represent the largest new market potential for ethanol producers. Clearly, the renewable fuels industry strongly supports the aggressive deployment of FFVs and accompanying E85 infrastructure. However, the reality is that E85 represented only about 1 percent of ethanol sales in 2007, primarily because of a lack of FFVs and fueling stations. Consequently, the most efficient market penetration would come from higher ethanol blends. As we work collaboratively with our partners in the automotive and fuel dispensing industries to increase E85 opportunities, it will be critical for biofuel producers to sell more product through increased lower level blends like E15.

As you may know, the alternative fuels marketplace has been historically challenged by the fact that renewable fuel supply is higher than regulated demand. This problem is exacerbated by the institutional reality that the petroleum industry is the primary purchaser and blender of renewable fuels and tends to only use required volumes of biofuels. The lack of fungibility, coupled with energy markets that are not truly competitive, creates a scenario in which alternative fuels are left at a significant disadvantage compared to the status quo.

Increased Ethanol Blends Assist Advanced Biofuel Development

The proposal to expand ethanol blending is generally characterized as an effort to expand markets for conventional biofuels. However, opening markets to greater use of ethanol is absolutely critical for advanced biofuel development.

The research and development of advanced biofuels, as defined in EISA 07, is progressing at an impressive rate. Like other industries, this sector has been impacted by the global economic recession, and specifically, the reduced access to credit. Despite these challenges, advanced biofuel companies are moving forward with technological innovation and biorefinery plans in several regions of the country.

Much of this advancement relies on venture capital and other forms of private investment. These investors are keenly aware of the market restrictions put in place by the E10 limit. Most investors are forecasting five or more years ahead, and are currently forced to invest against an “E10 blend wall.” In other words, there is the distinct possibility that ethanol demand will become saturated due to current production trends and the E10 blend limitation. The possibility of saturation is already impacting the marketplace, chilling interest in both new and existing biorefinery projects.

The easiest way to address this problem is to open the marketplace to greater ethanol use. In the immediate term, this means allowing higher ethanol blends like E15. In the longer term, this means making a public policy commitment to FFVs. Put another way, open fuel markets are an absolutely critical part of meeting the RFS targets set forth in EISA07, particularly with regard to advanced biofuel development.

Research Indicates Higher Ethanol Blends are Safe

We are aware that the transition away from foreign oil and toward domestically produced alternative fuels will not be easy. Many existing industries are uncomfortable with the increased use of a new generation of fuels. This was also the case with other important transitions such as the phaseout of MTBE, seatbelt requirements, the imposition of smog controls that resulted in the catalytic converter, and the removal of lead from gasoline. It is clear that the leap from E10 to higher ethanol blends can be accomplished with minimal disruptions to the existing liquid fuel marketplace and without significant cost, especially in comparison to the aforementioned public policy commitments that were executed without major problems in the transportation sector.

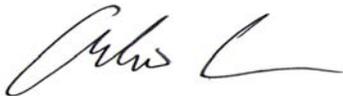
NFA encourages EPA to closely examine the initial waiver petition submitted on March 6, 2009.¹ The petition includes an exhaustive compilation of recent technical reports concluding that increasing the blending capacity of ethanol to E15 will not result in damage to engines or vehicles. It is also important to note that Underwriters Laboratories has stated that the use of existing retail fuel dispensation infrastructure is fully compatible with E15.² This is important because fuel retailers will not incur any additional costs with the approval of the waiver and will be able to immediately begin offering higher blends of biofuel to their customers.

We appreciate your time and consideration and would be happy to answer any questions you or your staff may have about this important matter.

Sincerely,



R. Brooke Coleman
Executive Director
New Fuels Alliance



Andrew Schuyler
Director, Northeast Region
New Fuels Alliance

¹ <http://www.growthenergy.org/2009/e15/Waiver%20Application.pdf>

² <http://www.ul.com/global/eng/pages/offerings/perspectives/regulator/e85info/ahjupdate/>