



January 20, 2011

The President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

On behalf of the members of the American Coalition for Ethanol (ACE), thank you for signing the Executive Order “Improving Regulation and Regulatory Review” this week, which instructs federal government agencies to develop plans to ensure “our regulatory system must protect public health, welfare, safety, and our environment while promoting economic growth, innovation, competitiveness, and job creation.”

We applaud your op-ed in the Tuesday, January 18 *Wall Street Journal* indicating that the administration’s goal is to “strike the right balance,” ensuring rules protect the public interest but do not have a chilling effect on growth and jobs. ACE supports your call for a government-wide review of rules already on the books “to remove outdated regulations that stifle job creation” and to “help bring to order overlapping rules.”

The American ethanol industry agrees with you that while the environment and economy are not at odds, federal regulations sometimes are. In response to your Executive Order and on behalf of the nearly 1 million Americans represented by the members of ACE, I write to encourage the White House and U.S. Environmental Protection Agency (EPA) to address three key regulatory issues related to biofuels and U.S. economic and environmental security. In brief, ACE asks that EPA tackle an inconsistency between two overlapping rules and enforce a third rule that is going unenforced by the agency.

There are two rules concerning ethanol use under EPA jurisdiction that send mixed messages about our nation’s commitment to reducing our costly reliance on fossil fuels. One rule, pursuant to the Energy Independence and Security Act (EISA 2007), requires increasing percentages of ethanol and other biofuels to be blended with gasoline annually. The other rule restricts ethanol use to just ten percent of a gallon of gasoline, protecting the oil industry’s defacto 90 percent gasoline mandate. Clearly, these regulations are incompatible.

EISA 2007 contains the Renewable Fuels Standard 2 (RFS2) aimed at reducing our nation’s dependence on fossil fuel by requiring 36 billion gallons of biofuel to be blended with motor fuel by 2022. However, to fulfill this requirement, the 30 year-old restriction on ethanol use in the Clean Air Act must be modernized to permit more than just ten percent ethanol in a gallon of gasoline. Nearly two years ago ACE joined with others to petition EPA to authorize the use of E15 in motor vehicles to begin to overcome this problem. While EPA finally authorized some newer model-year cars to use E15, the agency has created unnecessary confusion by declaring, without scientific evidence, that older cars should not use E15. As a result, we expect very little E15 use until such time EPA authorizes a more complete approval.

Experts are forecasting a sharp rise in oil and gasoline prices in 2011. Settling this regulatory inconsistency in a timely fashion is critical in allowing ethanol to help add to the overall U.S. fuel supply, providing

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consumers with more cost-effective fuel choices at the pump. Further, according to the U.S. Department of Energy, for every one billion gallons of American ethanol produced, between 10,000 and 20,000 U.S. jobs are created. As such, EPA approval of blends such as E15 or E20 can create between 70,000 and 280,000 jobs, while failure to approve E15 will put existing U.S. jobs and potential job growth at risk. This approval also has the potential to create even more jobs by revitalizing advanced biofuel projects that have idled due to lender and investor concerns about uncertain market opportunities for these next generation biofuels.

ACE also urges EPA to enforce a rule that appears to be unenforced, or at best partially-enforced, today. In 1990, Congress amended the Clean Air Act to require EPA to protect human health by significantly reducing the use of carcinogenic aromatics by refiners to increase octane in gasoline. Aromatics are produced during the refining of crude oil into gasoline and when these aromatics, such as benzene, toluene, and xylene, are combusted by motor vehicles, they result in a major source of toxic pollution in U.S. urban air sheds. To our knowledge, while EPA has imposed restrictions on benzene, the agency has failed to curb the use of toluene and xylene aromatics by refiners. Given your Executive Order to “protect public health, welfare, safety, and our environment” we feel it is critical that EPA immediately enforce existing Clean Air Act restrictions on all of these cancer-causing aromatics.

Refiners have access to other sources of octane, such as ethanol, that are clean and do not pose a threat to human and environmental health. Furthermore, ethanol contains clean octane that can help automakers comply with the new federal vehicle fuel economy standards because automakers will likely need to downsize motors and apply new technologies to increase engine compression ratios, and these technologies place a premium on octane.

Resolving these three regulatory matters will meet your objectives for rooting out conflicting regulations and balance the need to grow the economy and protect the environment. Moreover, taking these steps will enable the American ethanol industry to help save and create U.S. jobs and provide motorists with fuel choices that are more affordable and cleaner than fossil fuel.

Thank you for your leadership and efforts to promote U.S. economic growth while ensuring the protection of our public health and environment. ACE stands ready to work with your administration to accomplish these compatible goals.

Sincerely,

Brian Jennings, Executive Vice President
American Coalition for Ethanol (ACE)

cc: Lisa Jackson, Administrator, Environmental Protection Agency
Carol M. Browner, Assistant to the President for Energy and Climate Change