

February 15, 2018

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
Washington, DC 20460

Dear Administrator Pruitt,

As the U.S. Environmental Protection Agency (EPA) begins its work to develop the proposed 2019 Renewable Fuel Standard (RFS) Renewable Volume Obligation (RVO), we encourage the agency to take a renewed look at commercial-ready cellulosic biofuels.

One sector warranting EPA's closer attention is cellulosic ethanol made from corn kernel fiber. In 2017, EPA noted that "when reviewing the cellulosic biofuel production data ... we find that facilities that convert corn kernel fiber to cellulosic ethanol at existing ethanol production facilities have generally over performed relative to our production estimates." Unleashing corn kernel fiber ethanol production will bring significant and immediate economic, environmental and energy security benefits. Existing ethanol plants could produce hundreds of millions of gallons of cellulosic ethanol from this single stream of agricultural residue in the near term.

While the industry outlook for corn kernel fiber cellulosic ethanol is strong, EPA set low volumetric projections for corn kernel fiber cellulosic ethanol in the proposed 2018 RVO and reduced the targets for corn kernel fiber ethanol in the final rule. The overly conservative corn kernel fiber ethanol projection, compounded with uncertainty around how quickly EPA will approve new corn kernel fiber ethanol technologies for D3 RIN generation, threatens to slow adoption of cellulosic production capacity at existing ethanol facilities across the country.

Going forward, we respectfully request attention in a few key areas.

First, we are concerned that the new methodology used by EPA to forecast cellulosic biofuels in 2018 will continue to result in inappropriately low production projections for certain commercially-ready technologies if used again for the 2019 RVO. We understand the importance of being accurate when it comes to projecting cellulosic biofuel production. The underlying issue with the new methodology is it relies too heavily on historic trends that do not accurately reflect more recent advancements achieved by the corn kernel fiber cellulosic ethanol sector. We appreciate that EPA conducts self-assessments of its forecasting methodologies and encourage the agency to return to a forward-looking methodology that better accounts for technological readiness and forecasts the projected volume of cellulosic biofuel production expected during the compliance year.

Second, we encourage the agency to address key facets of the program that are creating unnecessary market uncertainty for innovators. For example, we understand that key questions must be answered pertaining to corn kernel fiber D3 eligibility. We hope that EPA will move quickly on this and other eligibility assessments in the D3 pool, so that producers can respond to guidance and continue to push forward. Likewise, the unconditional availability of cellulosic waiver credits (CWCs) – on a 1-for-1 basis with the number of cellulosic biofuel gallons required for use under the RVO – continues to undercut demand for liquid cellulosic biofuel gallons. The current CWC approach, on top

of a conservative forecasting methodology, undercuts rather than promotes demand for cellulosic biofuels. We have submitted suggestions for improving CWC management to better balance the need for compliance flexibility and market demand, and we would be happy to discuss the details.

By passing the RFS, Congress signaled to the market to make long-term business decisions to invest in and produce increasing commercial volumes of first- and second-generation biofuels. We have responded by investing tens of billions of dollars in U.S. biofuel development. For a variety of reasons – including the challenge of scaling up a new technology, the global recession occurring immediately after RFS passage, and RFS implementation failures starting in 2013 – it has taken the cellulosic biofuels industry longer to achieve commercial readiness. However, the industry is doing so now. With so much on the line for investors, it is vital that RFS implementation aligns with program intent.

Thank you for your ongoing commitment to enacting the RFS as intended by Congress. To meet the challenge of bringing cellulosic biofuels to market, we rely on EPA’s timeliness and accuracy in finalizing annual RVO’s and approving facility registration applications and production pathways.

We are committed to working with you and your staff on this important effort.

Sincerely,

