

LABOR COALITION FOR BIOFUELS

September 6, 2019

Andrew Wheeler
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Ave, NW
Washington, DC 20004

Dear Administrator Wheeler,

We write to express our strong opposition to the Environmental Protection Agency's (EPA's) ongoing utilization of Small Refinery Exemptions (SREs) to reduce renewable fuel blending under the Renewable Fuel Standard (RFS). SREs are destabilizing America's renewable fuels industry and putting at risk thousands of jobs across more than two dozen states.

The Labor Coalition for Biofuels is an ad hoc coalition of labor unions that strongly supports the American biofuels industry and the RFS. We represent thousands of workers whose efforts have driven the industry's success and sustainability (see the Addendum). The RFS is a valuable jobs growth and rural economic development policy, as well as an effective energy, environmental, and national security policy. It is a driving force for economic opportunity, especially in rural America, which too often gets left behind as our economy grows. It has created hundreds of thousands of jobs, including tens of thousands of union jobs. It supports a homegrown renewable energy sector that reduces transportation costs for working Americans. It has spurred investment and development of new technologies and it is a pillar of the bio-based economy.

While we applaud the administration's decision to allow the sale of E15 (gasoline blended with 15 percent ethanol) throughout the year, EPA's retroactive approval of an unprecedented number of SREs contradicts the administration's pledge to "increase the amount of ethanol blended into the nation's gasoline supply" and puts workers in the biofuels industry at risk. The administration has now issued more than 80 SREs for 2016-2018; approximately four times the number of SREs issued by the Obama Administration from 2013-2015. Compounding the harm, EPA has refused to include the gallons wiped away by the waivers in the annual Renewable Volume Obligation (RVOs), driving demand for conventional biofuels well below the 15 billion gallons ordered by Congress. The massive uptick in the issuance of SREs has flooded RFS credit markets and also undercut demand for new and innovative types of advanced biofuels that could drive economic growth for decades to come (see the Addendum).

We acknowledge that some small refineries may meet the statutory standard for hardship waivers. The effects of any hardships on the workers in those refineries should be taken seriously. However, EPA has radically increased the number of waivers granted, in some cases to the most profitable oil companies in the world (including Exxon and Chevron). And while the oil industry is enjoying its most profitable year since 2013, according to the U.S. Department of

Energy (DOE), rural America and its workers are struggling. Ethanol plants are closing, ethanol workers are losing their jobs, farmers are facing huge losses and potential bankruptcy, and the businesses that supply the ethanol industry and farmers are facing unprecedented and unnecessary risk. The commercial deployment of advanced and cellulosic biofuels has slowed significantly due to the policy and market uncertainty stemming from SREs, effectively ceding the competitive advantage in developing these innovative fuels to China and Brazil. The Department of Defense has consistently called the reliance on a sole source of liquid fuel a threat multiplier. The aviation and maritime industries recognize the importance of diversifying their fuel sources in support of these important national security concerns.

Simply, there are workers on both sides of the SRE debate, and the over-issuance of SREs to an industry not facing hardship, at the expense of one that is, is hurting workers, farmers, and innovators across America's heartland.

To remedy the situation, we urge the administration to: (1) immediately stop issuing SREs to refineries that do not need them; (2) include the projected volume of gallons waived via SRE in the now-pending 2020 RVO; and, (3) set the 2021-22 "reset" volumes to account for (i.e., restore) demand inappropriately destroyed by the over-issuance of SREs. We are also troubled by the retroactive and secretive nature of the SRE protocol. If the federal government seeks to rebate saleable regulatory credits to regulated parties, the recipients should be known and the process transparent enough for the public and credit markets to react appropriately (see the Addendum).

Thank you for your attention to this letter. If you have any questions or would like us to provide any additional information, please contact Terry Turner at terry.turner@turnerpollard.com.

Sincerely,

Airline Pilots Association (ALPA)

International Organization of Masters, Mates & Pilots (MM&P)

**International Union, United Automobile, Aerospace and
Agricultural Implement Workers of America (UAW)**

Marine Engineers Beneficial Association (MEBA)

Seafarers International Union (SIU)

United Food and Commercial Workers International Union (UFCW)

CC: Lawrence Kudlow, National Economic Council (NEC)
The Honorable Rick Perry, Secretary of Energy
The Honorable Sonny Perdue, Secretary of Agriculture

ADDENDUM

The Biofuels Industry Creates Unionized Middle-Wage Jobs

The American biofuels industry is a source of unionized middle-wage jobs, many of which are in rural areas of the United States that have not experienced the full benefits of our nation's economic recovery. In 2018, according to the U.S. Department of Labor's Bureau of Labor Statistics (BLS), only 10.5% of American wage and salary employees were union members, including only 6.4% of private-sector employees. The Energy Futures Initiative found a union density rate of 8.8% in the corn ethanol industry in 2018. The Energy Department estimated union density in corn ethanol production was 7.7% in 2017. These estimates suggest that the percentage of union members in the ethanol industry is higher than the national average. A recent report by former Acting U.S. Secretary of Labor Seth D. Harris and Charles Carson estimates there are more than 20,000 union members directly employed by the ethanol industry and the industry's suppliers in the United States.

The Harris-Carson study finds that union members in the biofuels industry are concentrated in manufacturing, transportation and utilities, construction, and retail trade. Together, these four industries employ two-thirds of all union members working in the biofuels industry, with retail employing the fewest number in these four industries. Many of these jobs help employees and their families sustain middle-class lifestyles. Most of these jobs are available to workers with high-school degrees, some college education, or a two-year college degree, sometimes substituted for or supplemented by significant on-the-job training, and often involving top-of-the-line training provided by joint labor-management technical skills and/or apprenticeship programs.

One of the biggest contributors to rising income inequality in the United States over the last several decades has been a shift in employment away from these kinds of occupations toward low-skill and high-skill occupations. According to a 2018 study for the Kansas City Federal Reserve Bank, the percentage of total employment in so-called "middle-skill" occupations dropped from 54.9 percent in 1994 to 43.1 percent in 2017. Meanwhile, the percentage of employment in high-skill occupations rose from 30.4 percent in 1994 to 39.2 percent in 2017, and the percentage in low-skill occupations rose from 14.7 percent in 1994 to 17.7 percent in 2017. These numbers give evidence of America's shrinking middle class. Supporting the biofuels industry can help reverse this trend and restore the kinds of middle-wage jobs that have long been bulwarks of the American middle class. The ethanol industry and its thousands of unionized workers are important contributors to the effort to rebuild America's middle class.

Increasing Ethanol Use Affords Other Benefits for American Workers

In addition to the important job-creating benefits of the biofuels industry, ethanol reduces the cost of gasoline for working families. Ethanol is blended into 97 percent of America's gasoline supply. In an October 9, 2018 interview with MarketWatch, Teucrium Trading LLC President and Chief Investment Officer Sal Gilbertie noted that "a gallon of ethanol is about 70

cents cheaper than a gallon of gasoline.” There is an even greater price discount between ethanol and the petroleum-based octane boosters that ethanol replaces, which are more expensive than gasoline. So, increasing ethanol use would reduce the price American workers pay at the pump. Even a few pennies per gallon can add up to meaningful savings for families who use cars as their principal means of transportation.

Ethanol provides a host of other benefits ranging from reducing America’s dependence on despotic foreign petro-regimes like Saudi Arabia to reducing greenhouse gas emissions that contribute to global warming. Accordingly, the administration should promulgate and implement policies that will increase the number of jobs in the biofuels industry and reject the policies that have reduced the production and sale of biofuels.

Additional Policies to Strengthen the American Biofuels Industry

Open All Documents in the SRE Process to Public Review

The small refinery exemption process is secretive and troubling. We believe serious public and stakeholder concerns about this process warrant a comprehensive review of all existing waivers to determine whether they were appropriately granted, both according to widely accepted interpretations of the applicable standards and the process through which the waivers were granted. In addition, we request that all documents relating to the waiver process be made available for public review, with confidential business information redacted. In testimony delivered August 1, 2018 to the Senate Committee on Environment and Public Works, EPA stated that it would publish a “dashboard” designed to “publicize all the information about when we grant a waiver and circumstances around the waiver.” Our recent review of the EPA web site suggests that, months after your public promise to the U.S. Senate, a dashboard with this level of detail has not been published. We encourage EPA to publish the dashboard expeditiously.

Support the Development of Advanced Biofuels under the RFS

The vast majority of future growth under the RFS will be in advanced biofuels. The rapid commercial deployment of advanced biofuels could support a new wave of employment and economic growth in rural America and in industries critical to rebuilding the middle class. One sector with great promise is cellulosic ethanol made from corn kernel fiber. This low-carbon fuel could be produced at nearly every one of the existing 200 U.S. ethanol biorefineries using commercial-ready “bolt on” technologies, allowing for production capacity upgrades at the same biorefineries already supporting tens of thousands of union jobs. Last year, more than a dozen major trade associations – including the American Equipment Manufacturers, the National Corn Growers and the National Farmers Union – wrote a letter to EPA expressing concern about regulatory action and inaction inhibiting the commercial deployment of cellulosic ethanol from corn fiber. These groups called on EPA to unlock the commercial potential of this industry by clearing fuel registration logjams and setting appropriate cellulosic blending levels under the RFS. We agree.

It is important to understand that these actions will also help rebuild America’s middle class by creating growth in already union-dense job sectors. In addition, innovation and investments in cellulosic biofuels can provide the American airline industry with a sustainable, reliable, and

domestic source of low-cost fuel that will reduce dependence on petroleum-based products and the industry's already very small impact on the environment. In the process, it can help to secure the jobs of American pilots, flight attendants, machinists, and others who serve the traveling public in the face of often unfair competition from state-owned or subsidized carriers.

Support the RFS and Discontinue the EPA's Efforts to Undermine It

We urge you to direct the EPA to lend strong support to the RFS moving forward and to work closely with Agriculture Secretary Sonny Perdue and Energy Secretary Rick Perry to defend this important policy. Creating a collaborative environment with inside and outside stakeholders will result in positive outcomes for all and most importantly, U.S. workers in a variety of sectors.

Since the RFS became law in 2005, it has driven growth while curbing emissions and increasing U.S. energy security. America's ethanol sector grew from 3.8 billion gallons in 2005 to more than 16 billion gallons of ethanol in 2018, becoming the largest ethanol producer in the world. Over the same period, America's net oil imports fell from 12.6 thousand to 3.7 thousand barrels per day. American producers have also increased efficiency, delivering an average carbon savings that is expected to surpass 50 percent by 2022. Every gallon of U.S. ethanol cuts greenhouse gas emissions by 43 percent, according to federal data, and advanced biofuels are doing even more to protect the climate. The RFS is fostering innovation and Americans are reaping the benefits. The RFS deserves your strong support.