



NATURAL RESOURCES DEFENSE COUNCIL

Testimony of the
Natural Resources Defense Council
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To The
Governors' Task Force on Boutique Fuels

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Thank you for the opportunity to testify today. The Natural Resources Defense Council (NRDC) is a national, non-profit environmental organization that represents more than 1.2 million members and online activists. Ever since we were founded in 1970, our attorneys, scientists and other professionals have striven to reduce the environmental impacts of our nation's transportation system. We have worked closely with EPA Office of Transportation & Air Quality, many Governors and their staffs throughout the country to reduce air pollution and improve public health through smart, cost-effective fuels and vehicles policies.

The Governors' Task Force on Boutique Fuels is an excellent opportunity to discuss the future fuels needs of the nation. While this discussion could be limited to a simple analysis of EPA's 2001 study on boutique fuels, doing so would be a missed opportunity. Rather, NRDC encourages you to consider the broader fuels needs of the nation as you address EPA's policies regarding boutique fuels. I will divide my time between a discussion of the 2001 boutique fuels study and a discussion of why this broader approach is necessary.

EPA's 2001 Boutique Fuels Study

In its 2001 boutique fuels study, EPA analyzed several alternatives to the mix of fuels occurring in various urban areas and across the nation at that time. Even then, EPA acknowledged that its study was limited in many important respects.¹ With increased use

¹ Many of these limitations are outlined effectively in a Memorandum to the Record from Richard A. Rykowski, of EPA's Assessment and Standards Division, Office of Transportation and Air Quality, dated October 22, 2001.

of ethanol, thanks to state MTBE bans and last year's Energy Policy Act, NRDC believes that this analysis is now outdated, and the limitations identified then are even more important today.²

Two points remain relevant.

First, of the options analyzed by EPA in 2001, NRDC prefers the 3-fuel option (7.0 RVP or RFG; 7.8 RVP; 9.0 RVP)³ for several reasons. First, this option preserves the ability of states to craft a fuels strategy that meets their air quality needs. Second, it allows states that use ethanol to select the 7.8 RVP fuel if they do not use the 1.0-lb. opt-out provided under the Energy Policy Act of 2005, thereby mitigating the air quality impacts of using a 9.0 RVP fuel with the 1.0-lb. RVP waiver.

We hear the calls from industry for a single, nationwide fuel. NRDC could support a national fuel if the selected fuel was the cleanest possible fuel, i.e., federal reformulated gasoline or California CBG. EPA's analysis has shown clearly that this would provide the greatest emissions reductions. However, because we do not think that all 50 states would agree to this fuel, we prefer the certainty of the 3-fuel option.

In sum, there continues to be a need for state-level fuels requirements that help them attain EPA's ozone and PM standards. Notwithstanding the foregoing, states should seek to cooperate with their neighbors to help ensure that the nation has an adequate supply of fuel that is distributed in an efficient manner.

Second, NRDC believes that the nation's current debate over fuel supply and prices is occurring in a very different context than existed in 2001. Any change to the nation's boutique fuels programs must address our current needs.

Moving Forward With Cleaner Fuels

In addressing the nation's needs for boutique fuels, it is important to consider the many ways in which 2006 is very different than 2001:

- President Bush has told the nation that we need to end our addiction to oil;
- An increasing amount of our oil comes from nations that are unstable, unfriendly to the U.S., or both—and the nation remains at war in the mideast;
- Oil has broken through \$70/barrel, and many analysts predict a \$100/barrel price in the foreseeable future;

² Some of these limitations include factors related to changes in carbon monoxide emissions and their effects on ambient ozone formation; differences in the permeation of various volatile organic compounds (VOCs) from vehicular fuel systems; the effects of commingling ethanol and non-ethanol blends on evaporative VOC emissions; and changes in the exact formulations of Phase 3 California CBG and Phase 2 RFG.

³ In this document, RFG stands for Federal reformulated gasoline; RVP stands for Reid vapor pressure; and CBG stands for California's Clean Burning Gasoline.

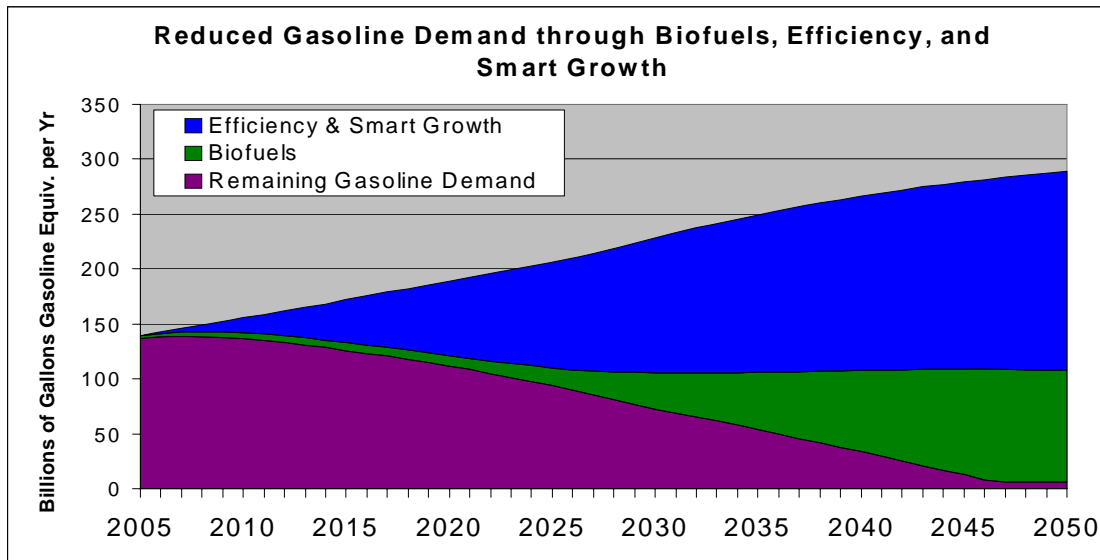
- The Energy Policy Act of 2005 has directed EPA to develop a renewable fuels program that guarantees that at least 4% of the nation's gasoline be replaced by ethanol or other renewable fuels annually;
- Many states have either considered or adopted low-blend ethanol mandates to build markets for this renewable fuel, thereby creating new air quality and public health concerns;
- The risks of global warming have become better understood, and several complementary clean fuel and vehicle solutions are emerging, including biofuels, cleaner diesels, and hybrid-electric vehicles;
- Ultra-low sulfur gasoline and diesel fuels are now entering the market-place, and will soon be the nation's fuel standard for both fuels;
- More than 100 million people still live in areas that fail to meet EPA's ambient air quality standards for ozone and/or particulate matter; and
- States are continuing to search for the most cost-effective measures to provide cleaner air to their citizens, including the use of cleaner transportation fuels.

In sum, the 2001 study findings regarding cost, fungibility, air quality, and supply of the four options are no longer the most relevant issues. Rather, the most important fuels-related questions are: how do we meet our current and future transportation needs, end our oil addiction and meet our air quality and public health needs? On a related note, how do we integrate ethanol and other renewable fuels in a way that protects public health and does not increase air pollution?

Two years ago, we mapped out a long-term plan to eliminate our gasoline demand almost entirely by 2050 in a manner that improves air quality and public health, takes advantage of existing and emerging technologies, and creates jobs and economic opportunities for the nation. These details are outlined in our report, *Growing Energy: How Biofuels Can Help End America's Oil Dependence*.⁴

Most relevant, we found that a combination of improved vehicle efficiency, smart growth and biofuels can eliminate almost all of our future gasoline demand. To do so, we estimate that approximately 100 billion gallons/year of biofuels will be necessary, as the chart below demonstrates.

⁴ <http://www.nrdc.org/air/energy/biofuels/contents.asp>



How can we meet this goal while improving air quality and public health? Following the current trends of using low-blend ethanol and biodiesel will not yield enough biofuels use to meet this goal, and will increase some emissions, according to EPA's 2001 analysis and other research. As has been widely reported, low-blend ethanol increases smog precursor emissions, and biodiesel blends increase nitrogen oxides somewhat. The negative impacts of low-blend ethanol are likely to increase as we learn more about the permeation (or seepage) issues that arise when low-blend ethanol is used.⁵

Luckily, shifting to high-blend fuels like E85 solves this problem. E85 can dramatically increase the amount of ethanol and decrease the amount of oil used; eliminates the ozone trade-off and reduces permeation-related evaporative emissions; and encourages the development of ethanol fueling infrastructure so flexible-fuel vehicles (FFVs) actually run on E85, rather than the gasoline that most use today.

As this Task Forces considers ways to improve state and federal fuels programs, NRDC urges EPA and the Governors to work together to

- Prioritize SIP and other measures to promote high-blend ethanol use, especially in nonattainment areas;
- Encourage attainment states to take advantage of the Energy Policy Act of 2005's opt-out provision for the 1-lb. RVP waiver; and
- Provide flexibility to refiners to blend ethanol in non-ozone seasons

Each of these steps can help improve air quality, protect public health and meet our long-term goals of oil independence.

Conclusion

⁵ These low-blend issues were noted in the 2001 study, and deserve further study.

The world is a different place today than it was in 2001. But some things haven't changed—millions of people continue to breathe unhealthy air, and states need as many tools as possible to create sustainable plans to attain and maintain healthy air for their residents. Boutique fuels are a key component of this toolkit.

As Governors and EPA work together to solve the nation's fuel problems, we strongly encourage you to find ways to (1) maintain this program's flexibility, (2) increase the use of E85 and other high-blend renewable fuels, and (3) end our dependence on imported petroleum. As you consider whether to update EPA's 2001 study on boutique fuels, we encourage you to consider analytic approaches with these three goals in mind.

Thank you again for the opportunity to testify today. NRDC looks forward to working with you towards a successful fuels policy for the states and our nation.