

Regulatory Announcement

EPA Proposes Regulations for a Renewable Fuel Standard Program for 2007 and Beyond

The U.S. Environmental Protection Agency (EPA) is proposing a national renewable fuel program (more commonly known as the Renewable Fuel Standard Program, or RFS program). The proposed program will be applicable for 2007 and later and is designed to encourage the blending of renewable fuels into our nation's motor vehicle fuel. Specifically, this rule proposes the renewable fuel standards, responsibilities of refiners and other fuel producers, a credit and trading system, compliance mechanisms, and recordkeeping and reporting requirements. The proposal also contains preliminary analyses of the economic and environmental impacts of the expanded use of renewable fuels.

Background

The Energy Policy Act of 2005 amended the Clean Air Act to establish an RFS program. The U.S. Congress gave EPA the responsibility to coordinate with the U.S. Department of Energy, the U.S. Department of Agriculture, and stakeholders in designing and implementing this first-of-its kind program. This process could not occur prior to the start of the RFS program in January 2006, nor could EPA complete a rulemaking of this magnitude by the one-year deadline set forth in the Act. Therefore, in a December 2005 rulemaking, EPA set the statutory default standard requiring that 2.78 percent of the gasoline sold or dispensed in the calendar year 2006 be renewable fuel. The new rulemaking proposes a comprehensive, long-term RFS program starting in 2007.

A renewable fuel is defined in the Energy Policy Act as a motor vehicle fuel that is produced from plant or animal products or wastes, as opposed to fossil fuel sources. Renewable fuels would include ethanol, biodiesel and other motor vehicle fuels made from renewable sources. Under the proposal, both renewable fuels blended into conventional gasoline or diesel and those used in their neat (unblended) form as motor vehicle fuel would qualify.

Credit Trading Program and Compliance Provisions

Credit trading allows obligated parties to comply with the RFS standard through the purchase of credits if they cannot or do not wish to blend renewable fuels into gasoline. It also permits renewable fuels that are not blended into gasoline, such as biodiesel and biogas, to participate in the RFS program. The proposal defines who can generate credits and under what conditions, how credits may be transferred from one party to another, and in certain cases, the appropriate value of credits from different types of renewable fuel.

This proposal also includes compliance and enforcement provisions, such as for facility registration, recordkeeping and reporting requirements, program enforcement, and various fuel tracking mechanisms. These provisions will enable the credit trading program to function properly and will ensure an adequate foundation for Agency enforcement efforts.

Impact

Currently, renewable fuel demand is projected to exceed the levels required by the Energy Policy Act. However, the RFS establishes a baseline that provides market certainty that at least a minimum amount of renewable fuel will be used should market conditions change.

Depending on the volume of renewable fuel anticipated to be used in 2012, EPA estimates that this transition to renewable fuels will reduce petroleum consumption by 2.3 to 3.9 billion gallons or roughly 1.0 to 1.6 percent of the petroleum that would otherwise be used by the transportation sector.

This proposal also provides a preliminary analysis of the emissions, air quality and economic impacts of the expanded use of renewable fuels. With regard to emissions impacts, carbon monoxide emissions from gasoline-powered vehicles and equipment will be reduced by 1.3 to 3.6 percent. Emissions of benzene (a mobile source air toxic) will be reduced

by 1.7 to 6.2 percent. Further, the use of renewable fuel will reduce carbon dioxide equivalent greenhouse gas emissions by 9 to 14 million tons, about 0.4 to 0.6 percent of the anticipated greenhouse gas emissions from the transportation sector in the United States in 2012.

At the same time, other vehicle emissions may increase as a result of greater renewable fuel use. Nationwide, EPA estimates between a 28,000 and 97,000 ton increase in volatile organic compounds plus nitrogen oxide (VOC + NO_x) emissions. However, the effects will vary significantly by region. EPA estimates that areas such as New York City, Chicago, and Los Angeles will experience no increase, while other areas may see an increase in VOC emissions from 3 to 5 percent and an increase in NO_x emissions from 4 to 6 percent from gasoline powered vehicles and equipment.

On average, EPA estimates the cost of this increase in renewable fuels to range from 0.3 to 1 cent per gallon of gasoline. As part of the final rule-making, EPA plans to include analysis of other types of impacts, such as increased revenues to the farming sector and changes to the nation's energy security in terms of reduced dependence on foreign sources of petroleum.

Public Participation Opportunities

Comments on the proposal can be submitted until November 11, 2006, following publication of this notice in the *Federal Register*. For instructions on submitting written comments, please see the *Federal Register* notice, which is available from the Web site noted below or from the EPA Air Docket (Phone: 202-566-1742; please refer to Docket No. EPA-OAR-2005-0161). You can also access the rule and related documents on EPA's Office of Transportation and Air Quality (OTAQ) Web site at:

www.epa.gov/otaq/renewablefuels

For More Information

For more information, please contact EPA's Assessment and Standards Division information line at:

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