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New Study from Small Retailers Coalition Says Renewable Fuel Standard Harming Small Fuel Retailers

RFS flaw threatens jobs, raises costs

Dallas, TX – A new study from Southern Methodist University's Maguire Energy Institute says the structure of EPA's much-criticized Renewable Fuels Standard (RFS) program has created an unfair playing field for small retailers. Instead of promoting increased biofuel production and competition, the program allows big gasoline retailers to reap huge profits and push out small fuel retailers who have historically formed the backbone of the consumer fuel market. The study, released on behalf of the Small Retailers Coalition, is entitled "Renewable Identification Numbers (RINs) Trading Under the Renewable Fuels Program: Unintended Consequences For Small Retailers."

The study notes that Congress created the RFS more than a decade ago to increase the volume of renewable fuels— such as ethanol —blended into gasoline and diesel. However, it concludes that the RFS has largely failed to achieve its renewable goals and is creating a significant, damaging shift in the retail market.

"One of the unintended consequences of the RFS is that large retailers have gained market share at the expense of medium-sized and small businesses, a real cause for concern for consumers," said study author and Maguire Institute Director Bernard L. Weinstein, Ph.D.

The market distortion, according to the study, is the result of EPA's problematic placement of the point of obligation, which designates the parties obligated to submit RINs to EPA and demonstrate compliance with the RFS blend volumes.

"Because EPA made the obligated parties the refineries and importers and not the actual parties doing the blending, large retailers can participate in blending and then make large profits by selling RINs to companies who need them on the largest unregulated commodities market," Weinstein continued. "With these profits, they can drive the fuel costs down, pushing smaller retailers out of business and increasing costs for consumers."

"This study is an important step toward combating an issue that threatens the future viability of our businesses," said Bill Douglass, Chairman of the recently launched Small Retailers Coalition, a national trade association dedicated to advancing the interests of thousands of small, independent petroleum retailers and convenience stores. "Small retailers make up over half of the retail fuel business, providing jobs and supporting local communities.

The study suggests balancing the playing field by moving EPA's point of obligation designation to the blending point.

"Large retailers aren't obligated parties so they have no incentive to increase the blending infrastructure for renewable fuels and promote higher blends," Weinstein concluded. "If the RFS obligation were placed at the blending point, and large retailers became obligated parties, these retailers would be more likely to promote the goals of the RFS and increase their marketing and distribution of higher renewable fuel blends. Without this change, the current RFS system will continue to harm competition in the transportation fuel market and drive additional small retailers out of business."

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About the Small Retailers Coalition - *The Small Retailers Coalition is a national trade association with over 30 members from across the U.S., representing the interests of thousands of small, independent petroleum retailers and convenience stores. More information is available at www.smallretailerscoalition.com.*