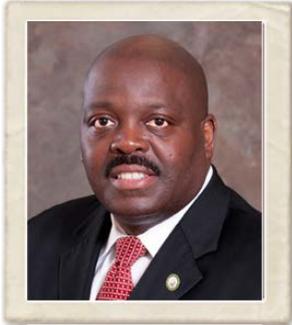


## **EPA, Please Fix the Renewable Fuel Standard!**

*By Daryl Bassett, Chairman Empower Consumers; former State Regulator, Arkansas*



Energy is key to nearly everything that happens here in America. Think for a second about electricity and the countless things in your house that rely on you getting the power you need at a price you can handle. A lot of thought goes into making sure that electricity is there every day for every one of us.

Now consider gasoline. Whether you live in a rural community or in the middle of a big city, you probably wouldn't be able to do one tenth of the things you do each day without it. It gets you to work, brings your family together on holidays, and delivers the goods you need at the store and the food you eat at a restaurant. Imagining our lives without gasoline is almost impossible—which is why our government needs to put a lot of thought into making sure it's both affordable and abundant.

But not everyone in the government has been getting that message. Take the Renewable Fuel Standard (RFS), a program designed with the understandable goal to increase the amount of renewable fuels that end up in everyone's gas tank. Well intended though it may be, this program has turned out to incentivize gasoline exports from refineries out of the U.S. while upsetting competition among gasoline retailers and handing an advantage to big retail chains over their small-business competitors.

Does any of that sound like it will work out well for gasoline consumers here in the U.S.? No, it doesn't—and the situation won't improve until this program is fixed. Here's why.

Under the RFS, refineries (who make gasoline) and importers (who bring it in from somewhere else) are both obligated to live up to the government's targets for how much renewable fuel gets blended into gasoline. The problem is, they usually aren't even involved in the blending! So in order to demonstrate compliance with the renewable targets, they often end up needing to buy renewable credits, pieces of paper known as RINs, that are generated at the point where renewable fuels are blended into pure gasoline. This happens downstream from refineries at what industry folks call "the rack."

If you own one of those blending points and are not a refinery or importer, you don't have to turn those RINs into the government to show compliance with its program. Instead, you're free to sell your RINs back to the refiners. So for some people, the RFS has turned out to be a welcome source of windfall profits. Who are these lucky lottery winners? In lots of cases, it's large oil companies or big gasoline retail convenience store chains with enough resources to blend their own fuel at the rack.

What's wrong with a few big gasoline retail chains enjoying extra profits generated by the RINs they sell on the market? Well, nothing—if you're one of those chains. But if you happen to be an independent gasoline retailer (many of which are minority-owned) whose competition up the street is suddenly sitting on a pile of cash, it's not so great. It means your competitor's parent company has a newfound ability to spend money on buying up stations, or making their stations

look more appealing than yours. Whatever they do, it's not helpful to a small business earning a living as an independent gasoline retailer.

Meanwhile back at the refinery, some are starting to feel squeezed. Each year, the renewables targets get higher, making those RINs more expensive. If you're not blending fuel downstream, you might start thinking about exporting the gasoline you make—which reduces the RINs you owe. And if you're an importer, do you really want to go on bringing fuel to the U.S. if costs less to ship to somewhere else? This is where things get hairy for consumers—when incentives are being created to shrink the pool of gasoline available in the U.S., which spells trouble for prices at the pump in the long run. And as some refiners get pushed over the brink, the possibility of price spikes gets even greater.

There is a way to change all this. The government could have fuel blenders abide by the RFS and turn in the RINs they generate. Eliminating that gap between refineries and fuel blenders would knock out the middle-man market for RINs, which has given rise to an alarming number of cases of fraud and speculation by opportunists attracted to the high prices those pieces of paper fetch on the market. It would restore fairness to the gasoline retail market and eliminate artificial incentives to export fuel from the U.S.

Our country has enough problems without needlessly creating new ones. Let's fix the RFS.