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Proposals for biofuel credit price cap alarm corn growers

By Eric Wolff

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White House-backed negotiations to alter the biofuels program may include a trigger mechanism that could kick in to cap prices for biofuel credits — but that proposal is hitting heavy resistance from the corn industry.

Talks between refining and agricultural groups to change the Renewable Fuel Standard have made modest progress in recent days, with participants discussing seeking an EPA waiver to expand sales of 15 percent ethanol gasoline blends. That plan would also provide an incentive for those sales by attaching a multiplier to increase the number of Renewable Identification Numbers to help lower the costs for refiners.

The new discussion around a triggered price cap is an attempt to overcome opposition to refiners' proposal for a fixed two-year price cap that was discussed at a White House meeting with President Donald Trump in February. That plan also set off alarm bells among corn growers and senators from corn-growing states, including Sen. Chuck Grassley (R-Iowa), who pressed for a new meeting with Trump to discuss their stance.

"Our biggest concern right now is that there continues to be out of the White House talk about a cap on RINs," said Jon Doggett, executive vice president for the National Corn Growers Association. "And until that's off the table and that's not going to happen, all the rest of these proposals are for naught."

Sources in the corn industry and refining sector said major ethanol producers like POET and Green Plains were open to the idea of a triggered price cap, though POET vigorously denied it had endorsed that plan.

Trump has met with industry representatives, lawmakers and members of his Cabinet to try to resolve a dispute between two of his key constituencies, the farmers in corn states like Iowa and the blue-collar workers in refineries in Pennsylvania, a state he narrowly carried in 2016. Refiners have kept the spotlight on the issue, arguing that even though EPA recently removed some of the burden on bankrupt refiner Philadelphia Energy Solutions, the costs of RINs was squeezing their business.

Ethanol producers have contended that a higher supply of RINs would drive down the prices that refiners pay for the credits, and EPA could increase the supply of RINs by granting a Clean Air Act waiver to allow year-round sales of E15 in all states. EPA Administrator Scott Pruitt said early last year that his lawyers are investigating that option, but he has not yet said whether it was legal.

Recent proposals to reduce the number of participants who can trade RINs — effectively preventing speculation from investment banks — have drawn support from all sides, and Pruitt told reporters last week he plans to implement such a measure.

But refiners are pressing for an immediate solution to lower RINs prices. Sources said the discussions underway are fluid, but a potential price cap could be triggered if E15 sales fall short of target volumes after a year, or if RIN prices remain too high at that time.

Another plan would use the same triggers, but to create a multiplier to increase the number of RINs attached to gallons of E11 and E15 fuel.

Refiners worried about high compliance costs say that ethanol producers appear to be softening their resistance to some kind of price control.

"Major ethanol producers have come to the conclusion that if an RVP waiver and a multiplier do not hold the line on RINs prices, then some form of cost-containing backstop is legitimate and acceptable," one refining source said.

Corn growers were angered by the apparent willingness of POET and Green Plains to accepting a triggered RIN cap.

"It is a widely known fact," Doggett said "Those are two companies out of a number of companies that produce ethanol in the country, those two companies have an opinion that is their opinion."

But POET said it remained opposed to a cap on RIN prices.

"We remain committed to what we sent over to the administration this week — and those did not include the RIN cap. We think that solves the problem," said Rob Walther, vice president for federal affairs for POET. "And more importantly, all subsequent conversations with the administration have been focused on the multiplier and have not endorsed a RIN cap."

"The biofuel and agriculture sectors, as well as our champions in the heartland and on Capitol Hill, remain adamantly opposed to any scheme that would cut, cap, or waive RINs," said Emily Skor, CEO of Growth Energy, an ethanol producers trade group.

Even the rumors the White House supports a cap on RIN prices riled up corn growers' Senate allies.

Sens. [John Thune](#) (R-S.D.), [Deb Fischer](#) (R-Neb.), [Roy Blunt](#) (R-Mo.), [Joni Ernst](#) (R-Iowa), and Grassley sent a [letter](#) to Trump asking for a meeting to make their opposition known.

"We are opposed to applying a 'waiver cap' mechanism of any kind to the RFS," they wrote. Grassley [tweeted](#) at Trump on Thursday night saying the cap "will be CATASTROPHIC to ethanol."

Other oil industry players have largely stayed in the background on the RFS battle in the White House. They remain hopeful that a legislative effort led by Sen. [John Cornyn](#) (R-Texas.) with input from Democratic Sen. [Tom Udall](#) (D-N.M.) can solve the deadlock.

"To paraphrase Winston Churchill, never have so many invested so much time for so little," said Stephen Brown, vice president for federal affairs for the refiner Andeavor. "While this chase continues when a more durable alternative, the Cornyn/Udall legislation, is actually gaining momentum among autos, ethanol producers, refiners and marketers."

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