

ORAL TESTIMONY OF BUTAMAX ADVANCED BIOFUELS LLC TO THE ENVIRONMENTAL PROTECTION AGENCY REGARDING DOCKET ID EPA-HQ-OAR-2013-0479.

Thank you for allowing Butamax to testify before you today. My name is Peter Matrai, and I am the Chief Operating Officer of Butamax Advanced Biofuels.

Butamax is a joint venture between DuPont and BP, which was established in 2009 to commercialize the biobutanol technology which the two companies had been developing together since 2003. The goal of this privately funded effort was to create a new biofuel technology that addresses key limitations of ethanol and increases the benefits of blending biofuels. Specifically biobutanol enables a doubling of the renewable energy content of gasoline within existing fuel specifications, improves gasoline manufacturing economics, and is regarded as a drop-in biofuel. We are currently implementing the first phase of a retrofit of a corn ethanol plant in Lamberton, Minnesota.

EPA states in the proposed rule that “EPA continues to support the objective of continued growth in renewable fuel production and consumption, as well as the central policy goals underlying the RFS program: Reductions in greenhouse gas emissions, enhanced energy security, economic development, and technical innovation.” The EPA goes on to say “The approach reflected in today’s proposal is consistent with these objectives and is intended to put the RFS program on a manageable trajectory while supporting continued growth in renewable fuels”.

We find these two statements impossible to reconcile with the proposed rule. We do not see how the approach proposed in the NPRM is at all consistent with the objectives of the RFS program, or is supportive of renewable fuels growth. For example:

1. EPA has essentially based the RVO on the amount of ethanol that can be accommodated by blending 10% volume ethanol into gasoline, with only very minor allowance for other products. Since gasoline volume can be expected to decline for the foreseeable future, the proposal fundamentally causes contraction in renewable fuels, and not growth.
2. The EPA has been very conservative in their estimates of the potential contribution of E85. The proposal completely fails to reflect the demand growth in E85 that the RIN mechanism in the RFS enables, as demonstrated in 2013. While EPA notes the importance of E85 pricing, in setting the RVO as proposed,

EPA would disable the very mechanism designed to allow the market to set this price appropriately.

3. By accepting the blend wall as a fundamental limit, the proposed rule disables the RIN mechanism that was specifically created to enable market forces to overcome this issue. An effective RIN mechanism is absolutely essential to enable drop-in biofuels to compete in the market.
4. By defining biofuels demand based on a fixed percentage of a shrinking market, EPA would remove all incentive for investment in new biofuels technology. The effect of the proposed rule would be to lock-in incumbent products and discourage investment in innovative technology.
5. The major deviation by the EPA from the mechanism defined in the RFS for setting the RVO, and the delayed and drawn out process for its finalization, cause major uncertainty that will affect investment decisions far beyond 2014. As such, this proposal puts delivery of the policy objectives at risk.

In order to reconcile the NPRM with EPA's stated objectives, the total RVO must be set at a level that at least continues the absolute growth in renewable fuel volume. This is essential to maintain an environment where there is an incentive to make the technology and infrastructure investments needed to underpin this critical policy.

In closing, we respectfully ask the Agency to reconsider the NPRM proposal and draft an alternative that is actually consistent with the objectives of the RFS.