Foreign Fuels Reduction Act Bill Summary

The Foreign Fuels Reduction Act would require that a reduction to the volume of cellulosic biofuel required under the Renewable Fuel Standard (RFS) also results in a pro rata reduction to the total volume of renewable fuel and advanced biofuels, thereby helping to ensure that the RFS is met only by domestically sourced biofuels.

Every year since 2010, the RFS has required a certain volume of cellulosic biofuels to be blended into the fuel supply. However, as the chart below shows, in each of the past four years the EPA has had to revise the cellulosic mandate downward by at least 93%, revealing a serious mismatch between the levels in the original RFS mandate and actual commercial production of cellulosic biofuels.

Year	RFS cellulosic volume (ethanol-equivalent gal)	EPA Revised Volume (ethanol equivalent gal)	Difference	% Reduction
2010	100 mil	6.5 mil	93.5 mil	93.5%
2011	250 mil	6.0 mil**	244 mil	97.6%
2012	500 mil	10.45 mil**	489.6 mil	97.9%
2013	1 billion	14 mil***	986 mil	98.6%

* Source: CRS; **The DC Circuit recently vacated the 2012 standard and EPA is reevaluating the 2011 standard ***EPA proposed volume

Although the EPA has used its authority to revise the cellulosic biofuels volume requirement down to US commercially produced levels, it has not used its authority to also revise downward the advanced biofuels and total renewable fuels requirements. This has created a gap in advanced biofuels production that has incentivized biofuels imports, further complicated the "blend wall" issue, and intensified the debate over biofuels land use issues domestically and internationally – all of which are contrary to the RFS's original intent. The bill would:

(1) Keep the RFS from incentivizing ethanol imports

The EPA allows Brazilian sugar cane ethanol imports to count toward meeting the advanced biofuels volume requirements. As the gap between the cellulosic volume levels set forth in the RFS and the actual revised mandated levels put forth by the EPA widens, there is more incentive to import sugar cane ethanol from Brazil. Analysts estimate that over 600 million gallons of sugar cane ethanol will be needed to meet the 2013 advanced biofuels standard. Our bill would remove the incentive to meet an increasing portion of the RFS mandates with imported ethanol.

(2) Help fuel markets in the near-term by mitigating the ethanol "blend wall"

The "blend wall" is the point at which no more ethanol can be blended into the fuel supply because of supply and demand constraints, such as declining motor fuel demand and increasing CAFE standards. Analysts predict that the blend wall could be hit soon, which could cause a spike in gas prices. By lowering the overall amount of ethanol that has to be blended into the fuel supply, our bill would help to more properly align ethanol supply with demand and help mitigate the impact of the "blend wall."

(3) Start to soften the harmful effects of the RFS on land use and commodity prices internationally

Because the RFS is now incentivizing imports of ethanol, many foreign countries are devoting more and more land to sugar cane cultivation, often at the expense of family owned farms and more sustainable subsistence agriculture practices. As a whole, the RFS is also driving up the cost of food commodities globally, which disproportionally impacts the most impoverished and undermines US food aid efforts.