

ML Strategies' Energy & Environment Update: Week of 6/30/2014

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With legislative efforts to reform or repeal the Renewable Fuels Standard (RFS2) on hold after the Environmental Protection Agency proposed paring back required blended levels of biofuel (renewable volume obligations or RVOs), all eyes are on the EPA as to what those closely guarded final volume levels will be.

The rule, already several months overdue, had most recently been targeted for a June release, but that deadline slipped by without the rule even going to the Office of Management and Budget for final review. EPA Administrator Gina McCarthy testified last week that the agency wants to "get this right" and hopes "to get that out soon." Even if the EPA sends the rule to OMB in July, as is now expected, OMB likely will review it for 30-60 days before the final rule is promulgated.

As the EPA's review drags on, the non-partisan Congressional Budget Office released a [report](#) evaluating the impact of several possible outcomes: 1) keeping volumes consistent with the proposed rule, 2) raising volumes to the higher levels required by statute, or 3) repealing the law entirely through an act of Congress. The report contained some conclusions that undermined the arguments of both RFS opponents and supporters. Interestingly, the report eviscerated one of the largest policy arguments against the RFS--that the RFS increases food prices. Even though roughly 40 percent of the U.S. corn supply is used to make ethanol, the study found that food prices would stay the same whether the RFS remained as is or was repealed. Even if the EPA increased required levels of corn ethanol by 15 percent (2 billion gallons), the overall increase in food prices would only amount to one quarter of one percent.

The weekly *Energy & Environment Update* from ML Strategies provides an overview of what's happening on and off Capitol Hill and around the world that may impact energy and environmental policies and industry players. [Read the Update here.](#)

Authors