

Final RFS Rule Carves Out Role for Biomethane

On Wednesday, the U.S. Environmental Protection Agency (EPA) finalized changes to the Renewable Fuels Standard (RFS) Program. This program requires that an increasingly larger amount of renewable fuel is mixed with gasoline and diesel fuel used for transportation. Alternatively, suppliers of those gasoline and diesel fuel can purchase renewable fuel credits from producers of such fuels. The Energy Independence and Security Act (EISA) of 2007 amended the program to increase the number of renewable gallons that must be used to 36 billion gallons by 2022. EISA also established greenhouse gas emission reduction requirements for renewable fuels. EPA's rule issued this week incorporates the necessary changes resulting from passage of EISA.

NGV America filed comments with EPA and made three recommendations. The new rules incorporate two of the three provisions requested by NGV America. First, the rule specifically recognizes that biomethane produced from landfill gas or gas from sewage waste treatment or animal waste gas qualify as advanced biofuels and are eligible to earn credits under the program. Second, the rule allows biomethane sellers to transport biomethane via pipeline and to contract with downstream users so that the fuel sales count as renewable transportation fuel. The adopted provisions should provide additional incentive for biogas producers to consider making CNG and LNG onsite or selling their fuel downstream to CNG and LNG users. Producers already benefit from the adoption of the California low-carbon fuel standard (LCFS) and the possibility of other states adopting similar requirements. For 2010, the new rule establishes the following requirements: (1) a total of 12.95 billion gallons of renewable fuel must be supplied; (2) this includes 1.15 billion gallons of bio-based diesel fuel; and (3) also includes 950 million gallons of advanced biofuels.

Somewhat surprising, EPA estimates that when fully completed in 2022, the program will only displace 13.6 billion gallons of petroleum fuel. That is primarily because the 2022 target of 36 billion gallons is based on the energy content of ethanol fuel (~ 77,000 Btu per gallon). A gallon of ethanol only displaces about 0.67 gallons of gasoline. Also somewhat surprising is the fact that EPA estimates that the program will actually increase ozone formation and particulate matter emissions. In terms of greenhouse gas reductions, however, the rule is expected produce a reduction of 138 million metric tons or the equivalent of taking 27 million vehicles off the road by 2022.

To view a copy of the EPA rule and supporting documents, click here: <http://www.epa.gov/otaq/renewablefuels/index.htm#regulations>. For more information on this issue, please contact Jeff Clarke, at 202.824.7364 or jclarke@NGVAmerica.org.