



GOVERNORS' BIOFUELS COALITION

• Minnesota Gov. Mark Dayton, Chair • Iowa Gov. Terry Branstad, Vice Chair

February 13, 2012

Honorable Ray LaHood
Secretary of Transportation
U.S. Department of Transportation
1200 New Jersey Avenue SE
Washington, DC 20590

Honorable Lisa Jackson
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

Subject: NHTSA-2010-0131 and EPA-HQ-OAR-2010-0799-0639 Proposed Rule, 2017 and Later Model Year Light-Duty Vehicle Greenhouse Gas Emissions and Corporate Average Fuel Economy

Dear Secretary LaHood and Administrator Jackson:

The Governors' Biofuels Coalition appreciates this opportunity to comment on the proposed rule that will have a significant impact on the nation's economy, environment, public health, and energy security. Since 1998, the Governors' Biofuels Coalition has sponsored bipartisan discussions and analyses of issues affecting the nation's transportation fuel sector. Since the U.S. is the world's largest consumer of petroleum-based fuels, we recognize the important balance that must be achieved between vehicle technologies and fuel quality. The decisions made through this rule will impact our states' economic growth, public health, and environmental quality for years to come.

It is critical to the nation's energy future that your final rule synchronize **both** vehicle technology advances **and** fuel composition improvements in order to significantly reduce the nation's dependence on petroleum-derived fuels, while avoiding increased health and air pollution risks.

The *Wall Street Journal* reported on November 19, 2011 that the impact of this rule could be "profound." Its analysis suggested that achieving a 62 percent improvement in fuel economy by 2025 by a light-duty vehicle fleet of 275 million cars and trucks would reduce U.S. motor fuel demand by 2.6 million barrels a day. According to the U.S. Energy Information Administration, the nation's ethanol production capacity already stands at approximately 1 million barrels a day. Taken together, these two factors alone mean that current U.S. motor fuel demand of 9 million barrels a day could be *reduced by more than one-third by 2025*. Such a large reduction in U.S. petroleum is indeed significant, especially when combined with increased domestic oil production from recent oil shale discoveries in states such as North Dakota and Texas, and could save American consumers and businesses hundreds of billions of dollars that can be productively invested in creating new jobs and expanding local, state, and federal tax bases.

The proposed rule presents significant challenges to automakers and fuel providers, and must be constructed in a way that fully recognizes technology improvements and energy resource opportunities that will emerge over the next several years. It is critically important that the proposed rule send the proper regulatory message so that the private sector can take maximum advantage of new vehicle **and** fuel technologies and ensure that the desired reductions in petroleum use are achieved at the lowest cost possible.

You specifically requested comments on whether higher octane fuels “may be necessary if certain advanced fuel economy-improving technologies are required by stringent CAFE standards” (p. 75335). The Alliance of Automobile Manufacturers has suggested increasing gasoline octane levels in a recent letter to EPA Administrator Jackson “...[T]o help achieve future requirements for the reduction of greenhouse gas emissions, we also recommend increasing the minimum market gasoline octane rating, commensurate with increased use of ethanol” (October 6, 2011).

The governors strongly suggest that you consider the importance of synchronizing advanced engine technology changes with fuel composition changes. Recent reports indicate that the failure to establish tighter fuel standards to complement advanced engine designs could result in dramatic increases in a major health threat in urban areas: *fine and ultrafine particulate matter*.

The *Wall Street Journal* reported on November 8, 2011 that emerging science points to an alarming but largely hidden trend: “As roadways choke on traffic, researchers suspect that the tailpipe exhaust from cars and trucks — especially tiny carbon particles already implicated in heart disease, cancer and respiratory ailments — may also injure brain cells and synapses key to learning.” The article specifically noted the threat to expectant mothers who live near high-traffic areas, whose babies’ DNA may be significantly harmed by “prenatal exposure to high levels of polycyclic aromatic hydrocarbons in exhaust.”

The Health Effects Institute has also warned that “[u]ltrafine particles’...small size and high surface area might make [them] especially toxic when inhaled. Many researchers have pointed to gasoline octane enhancers — known as aromatics — as the primary source of the urban ultrafine particles emissions and the toxic derivatives that coat them. Concern has heightened recently, given evidence that emissions of ultrafine particles might increase with greater use of gasoline direct-injection engines and other changes in fuels and technology.” For these reasons, European regulators have already announced their intention to regulate not only diesel, but also spark ignition and particle number emissions, which recent studies have shown are directly linked to aromatics.

Petroleum refiners produce aromatics, also known as the BTX (benzene, toluene, xylene) Group, from crude oil. The BTX Group is the most toxic, energy inefficient, and expensive gasoline component. As crude oil costs escalate, BTX Group costs increase the price of gasoline disproportionately and affect the nation’s economic growth. Lower cost, clean octane alternatives to the BTX Group include the use of intermediate ethanol blends and a greater reliance on natural gas vehicles and electric vehicles.

A final rule that fails to improve U.S. transportation fuel standards by reducing BTX Group compounds is the wrong policy for America. On behalf of the Coalition, I respectfully urge you to modify the proposed rule so as to provide market-based incentives and encourage the cost-

effective substitution of domestic clean octane alternatives for toxic BTX Group compounds derived largely from imported crude oil.

Sincerely,

A handwritten signature in black ink that reads "Larry Pearce". The signature is written in a cursive style with a long, sweeping underline.

Larry Pearce
Executive Director