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From: POLITICO Pro Energy Whiteboard
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Subject: Court says EPA overstepped in denying small refiners RFS exemption

By Alex Guillén

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The Obama administration in 2016 wrongly forced two small refineries in Wyoming to comply with the Renewable Fuel Standard, a federal court ruled today.

The Sinclair Oil-owned facilities had requested exemptions from the RFS, citing language in the law that allows EPA to spare small refiners from the program's biofuel blending requirements if they would experience "disproportionate economic hardship." While DOE recommended granting them a 50 percent waiver, EPA in October 2016 said both facilities were profitable enough to bear the RFS's costs and thus would have to comply fully with the program.

However, a split panel from the 10th Circuit Court of Appeals today said EPA overstepped its authority by concluding that the exemption could only be granted if complying with the RFS presented a long-term, "existential threat" to the refineries' survival.

EPA "chose a definition of economic hardship plainly at odds with Congress's statutory command," concluded the two majority judges, Timothy Tymkovich, a George W. Bush appointee, and Nancy Moritz, an Obama appointee. They sent the matter back to EPA for further action.

In a dissent, Carlos Lucero, a Clinton appointee, said he believed EPA had relied on "a more nuanced analysis" than the majority said which may have been permissible.

The decision comes just weeks after the D.C. Circuit ruled in a separate case that the Obama EPA had misappropriated a broader waiver authority under the RFS to require using less corn ethanol in 2016 than Congress required.

WHAT'S NEXT: EPA must review the refineries' petitions in light of the ruling. The agency could find further reasons for denying the petitions or it may grant Sinclair the sought-after exemptions.

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