ENERGY MARKETERS OF AMERICA ISSUE BRIEF

Underground Storage Tank (UST) System Compatibility Upgrades and RVP Summertime Fuel "Opt-Out"

Background

EMA and its members fully support the sale and distribution of all liquid motor and heating fuels including renewable fuel blends mandated under the Renewable Fuel Standard's (RFS) on the condition that Congress appropriates at least $1 billion for small to medium sized companies to make upgrades, as required, to ensure underground storage tank (UST) systems and dispensers are compatible to support E-15 sales.

Since 1988, U.S. Environmental Protection Agency (EPA) UST system regulations have required fuel to be stored in systems compatible with the type of fuel being stored. Underground storage tanks are one of the many components in a UST system for which gas station owners must ensure compatibility. In addition to UST systems, fire codes require motor fuel dispensing systems (including hoses, nozzles, swivels, and break-aways) to be compatible with the type of fuel dispensed. Unfortunately, the costs to upgrade UST systems and dispensers that support E-15 sales create significant economic burdens for these small business owners. Additional funding is needed to ensure safe and efficient UST systems are in place to allow all fuel marketers to offer and sell E15.

EPA UST Statement and State Specific UST Upgrade Costs

This reality is supported by EPA's January 2020 opinion entitled *E15's Compatibility with UST Systems*, which states, "[m]ost older and even some newer existing UST systems (which includes but is not limited to tanks, pumps, ancillary equipment, lines, gaskets, and sealants) are not fully compatible with E15 and require modification before storing E15. For example, the actual tank is often compatible with E15, but some of the many piping joints and connectors and pump, dispenser, and release detection components may not be." Fuel compatibility is essential not only for supplying fuel to end users through existing petroleum storage and distribution infrastructure, but also to meet customer expectations for quality, performance and operability.

Minnesota[1], Iowa[2] and North Dakota's[3] data include the entire UST system components: tanks, product lines, release detection components, submersible pumps, probes, drop tubes, spill buckets, dispenser hanging hardware, piping, glues, seals, gaskets and dispensers. In Minnesota alone, the estimated cost to upgrade UST systems is over $1 billion. The Nebraska[4] fire marshal's data includes only the tank (most tanks are E100 compatible but 381 tanks in Nebraska still need

[1] MPCA E-15 Underground Storage Tank System Upgrade Estimates (2023) *available here*.
[2] Fuel Iowa UST System Upgrade Estimates (2023), *available here*.
[3] NDPMA UST Compatibility and Upgrade Assessment (2023) *available here*.
[4] Nebraska State Fire Marshall, Number of tanks compatible and not compatible with ethanol blends (2023) *available here*.

to be replaced). UST replacement costs can exceed $250,000 per UST system which is an extremely high cost for small businesses to provide consumers with the option to purchase E10 plus blends.

USDA's Higher Blend Infrastructure Incentive Program (HBIIP)

The Inflation Reduction Act (IRA) included $500 million for United States Department of Agriculture's (USDA) Higher Blend Infrastructure Incentive Program (HBIIP) to increase the availability of higher blends of ethanol, such as E15 plus blends. HBIIP grants support transportation fueling, fuel distribution, and home heating oil distribution facilities, lowering out-of-pocket costs for businesses to install or upgrade fuel dispensers, storage tanks and systems, and other related equipment. Unfortunately, the current 50/50 cost sharing formula for HBIIP does not provide a strong enough incentive for small business energy marketers to make upgrades if needed to ensure compatibility. Under the HBIIP program, many energy marketers – who have not previously upgraded their UST systems - would be saddled with capital investment expenditures for higher ethanol blend compatibility upgrades that far exceed their ability to pay. An 80/20 cost sharing formula would level the playing field across all federal alternative fueling infrastructure programs and incentivize energy marketers to make the necessary upgrades to sell higher ethanol blends.

RVP Summertime Fuel "Opt-Out"

The Biden Administration delayed a decision to allow the year-round sale of E15 in certain Midwest states until the 2024 summer season. The decision stems from a petition by a group of Midwest governors to permit the summertime sale of E15 in their states, which was authorized under a provision in the *Clean Air Act* to permit an exclusion from the 1 pounds per square inch (PSI)waiver for E10 upon notification by a governor that the higher reid vapor pressure (RVP) limit will increase air emissions in that state. EMA supports the delay of the 1 psi exclusion waiver for at least two years (through 2025) because the waiver would require the creation of a boutique fuel exclusive to the petitioning states, thus limiting gasoline supply to the region. A study conducted by Baker & O'Brien found that eliminating the RVP waiver for summertime E10 and introducing a new gasoline blend to just the petitioning states would likely cost $500-$800 million.[5] EPA determined the request would result in a shortage of gasoline in the petitioning states for summer 2023, therefore, deciding to delay implementation until summer 2024 for Illinois, Iowa, Minnesota, Missouri, Nebraska, Ohio, South Dakota and Wisconsin.

"The Ask" *(Committees: House & Senate Appropriations, House Energy and Commerce; Senate Environment and Public Works; All lawmakers)*

- Urge Congress to appropriate over $1 billion for small to medium sized companies to make necessary upgrades to ensure underground storage tank (UST) system compatibility.

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[5] Bloomberg Business, Midwest US Ethanol Push Seen Lifting Gasoline Costs by 12 Cents a Gallon, (Feb. 15, 2020, online) *available here*.