



1901 N. FORT MYER DRIVE • SUITE 500 • ARLINGTON, VA 22209-1604 • 703-351-8000 • FAX 703-351-9160

November 9, 2017

The Honorable John Barrasso
Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Chairman Barrasso:

As you meet to discuss a reasonable path forward on the Renewable Fuel Standard (RFS), PMAA requests that you consider the consequences the RFS places on small business petroleum marketers. PMAA fully believes in renewable fuels and their importance in the liquid fuels market. However, if the RFS continues to go unchecked, petroleum marketers may be forced to distribute E15 fuel in which the majority of retail sites across the country will be unable to legally sell the new product due to non-compatible underground storage tank (UST) system equipment.

PMAA is a federation of 46 state and regional trade associations representing approximately 8,000 independent petroleum marketers nationwide. PMAA companies own 60,000 retail fuel outlets such as gas stations, convenience stores and truck stops. Additionally, these companies supply motor fuels to 40,000 independently owned retail outlets and heating oil to over eight million homes and businesses. PMAA members are engaged in the transport, storage and sale of petroleum products including gasoline, diesel fuels, kerosene, jet fuel, aviation gasoline, propane, racing fuel, lubricating oils, and home heating oil at both the wholesale and retail level. PMAA members are the primary conduit for bringing petroleum products from the terminal rack to retail locations and represent a vital and indispensable link in the nation's petroleum distribution chain.

As you know, the RFS program was created under the Energy Policy Act of 2005 and expanded by the Energy Independence and Security Act of 2007 (EISA). The purpose of the RFS is to incrementally increase the volume of renewable fuel blended into motor fuel, heating oil and jet fuel nationwide. The RFS achieves this goal by requiring "obligated parties" (refiners and importers) to meet annual volumetric renewable fuel blending mandates. As the blending obligations of the RFS have increased and gasoline consumption has decreased, we have now hit the "ethanol blend wall" wherein if every gallon of gasoline in the nation was blended with 10 percent ethanol, we could not meet the RFS goals. This has raised the value of renewable identification numbers (RINs) which continues to erode obligated parties' bottom lines, and therefore, grows increasingly likely that obligated parties may turn to large scale introduction of E15 blends nationwide to shore up sagging margins and/or go out of business. Both scenarios will result in higher prices at the pump.

PMAA believes the inability of marketers to legally certify their equipment to be compatible with E15 would cause severe economic harm through significant disruption of the gasoline supply and distribution network below the terminal rack. It has been estimated that 95 percent of all gasoline supply outlets in the United States cannot legally store or dispense ethanol blends higher than 10 percent. EPA, OSHA and state fire regulations have essentially drawn a line in the sand by requiring all facilities storing and dispensing gasoline blends greater than E10 to prove underground storage tank (UST) system compatibility with higher ethanol content fuels. The often-impossible task of demonstrating compatibility with E15 for UST equipment currently in the ground has put the clear majority of PMAA members, the consuming public and the nation's gasoline supply and distribution chain in a precarious situation. The number of UST

systems that are unable to meet legal compatibility certification requirements is significant. For those sites, the only option is to upgrade components or potentially the entire system to those that are of known compatibility.

The National Renewable Energy Laboratory (NREL) and Underwriters Laboratories (UL) tested the compatibility of new and used service station equipment. NREL found 70 percent of equipment currently in use as well as 40 percent of new equipment failed E15 compatibility tests. To rely on UST system manufacturers to recertify every component of an existing storage system is almost impossible to achieve as they do not want the liability after the fact.

Additionally, PMAA continues to have concerns with the "Consumer and Fuel Retailer Choice Act," (S. 517) which would extend the Reid vapor pressure (RVP) waiver to ethanol blends above 10 percent. In other words, this bill would allow E15 to be sold year-round. Extending the RVP waiver to E15 at this point further exacerbates UST system equipment concerns and could force many retailers to invest considerable time and money on an accelerated schedule to switch to an alternative fuel storage and distribution system to remain competitive. It is important that there be an orderly transition to the new infrastructure required to handle ethanol blends higher than 10 percent. If Congress should move ahead with this legislation, it should first hold a hearing on the compatibility of existing UST system infrastructure and what would be required for the orderly transition to ethanol blends greater than 10 percent. Given these concerns, PMAA cannot support S. 517 currently under consideration.

Small business petroleum marketers play an integral role in the distribution of liquid fuels and in the U.S. economy. To point out the facts of infrastructure compatibility issues is not being anti-ethanol. To the contrary, we must ensure that ethanol blend fuels continue to be sold in a safe and legal manner for it to have a promising future.

Section 211(o)(7) of the Clean Air Act allows the EPA to waive the RFS volumes mandated if the program would cause severe economic harm. Therefore, for the reasons listed above, EPA can fix the RFS by immediately using its statutory authority to reduce the ethanol mandate given that the UST system compatibility issues present severe economic harm to small businesses. Reducing the RFS ethanol mandate is the most effective way to lower the value of RINS and, in turn, allow all petroleum marketers to compete on a level playing field and not break the law by storing and dispensing a product that is not compatible with their storage tank systems.

As you meet with the Trump Administration to discuss the RFS, PMAA respectfully requests that you take small business petroleum marketers' concerns into consideration.

Sincerely,



Rob Underwood
PMAA President

cc:

Senator Ted Cruz
Senator John Cornyn
Senator Mike Lee
Senator Pat Toomey
Senator Mike Enzi
Senator Jeff Flake
Senator Jim Inhofe
Senator James Lankford