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HOUSE NATURAL RESOURCES COMMITTEE PASSES THREE ENERGY RELATED BILLS

On Wednesday the House Natural Resources Committee passed three energy related bills supported by PMAA. The bills (H.R. 1229, H.R. 1230 and H.R. 1231) will expand energy production, create jobs and lower gasoline prices by reversing policies that have placed American energy resources off-limits.

The Putting the Gulf Back to Work Act (H.R. 1229) would end the Administration's de facto moratorium in the Gulf of Mexico by setting firm time-lines for considering permits to drill. It requires the Secretary to issue a permit to drill and also requires the Secretary to conduct a safety review. The Restarting American Offshore Leasing Now Act (H.R. 1230) would require the Administration to move forward to conduct offshore lease sales in the Gulf of Mexico and offshore Virginia. Also, H.R. 1231, the Reversing President Obama's Offshore Moratorium Act, would lift the ban on new offshore drilling by requiring the Administration to move forward in the 2012-2017 lease plans with energy production in areas containing the most oil and natural gas resources. The bill sets a production goal of three million barrels of oil per day by 2027, which would reduce foreign imports by nearly one-third.

"We're actively working to address rising gasoline prices that are hurting families and small businesses by moving legislation to increase American energy production," said Committee Chairman Doc Hastings (R-WA).

NATURAL GAS ACT RE-INTRODUCED THIS CONGRESS

Rep. John Sullivan (R-OK) re-introduced the "New Alternative Transportation to Give Americans Solutions Act" last week. Similar to last Congress, the NAT GAS ACT (H.R. 1380) has over 150 cosponsors. First introduced in 2009 by Rep. Dan Boren (D-OK), who is also an original cosponsor of the new bill, the legislation promotes portions of the T. Boone Pickens Plan.

The NAT GAS ACT would offer tax credits and federal regulatory changes to encourage the production and purchase of natural gas vehicles. The bill targets business fleets and cargo trucks with a five-year window to build, buy and refuel natural gas vehicles.

It isn't clear where the funding for the bill, which is expected to cost two billion dollars a year for five years, is to come from. The measure will need to clear the Energy Committee and Ways and Means, and neither committee has scheduled a hearing. If a hearing is scheduled, we will be ready to join forces with our allies to ramp up grassroots opposition. The bill has been endorsed by President Obama and Pickens as part of the nation's energy solution.

PMAA's Motor Fuels Committee will discuss the bill and the use of natural gas as transportation fuel soon so that an issue brief can be included in PMAA's Washington Conference "Day on the Hill" packets.

ANOTHER SENATE HEARING ON MID-LEVEL ETHANOL BLENDS

On Wednesday, the Senate Environment and Public Works (EPW) Committee held a hearing to address some ethanol concerns highlighted last week by the Senate Energy and Natural Resources Committee. Testifying before the EPW Committee were: Secretary of Agriculture Tom Vilsack; EPA Assistant Administrator Regina McCarthy; DOE Acting Assistant Secretary for Energy Efficiency and Renewable Energy Dr. Henry Kelly; Advanced Biofuels Association Executive Michael Adams; DuPont's Global Business Director for Biofuels Jan Koninckx; Outdoor Power Equipment Institute Executive Kris Kiser; Grocery Manufacturers Association Executive Scott Faber; and Brooke Coleman with the Advanced Ethanol Council.

Secretary Vilsack reiterated the Obama Administration's goal for reducing oil imports by one-third from 2008 levels by 2025 through expanding production of corn-based ethanol, advanced biofuels, and drop-in fuels such as algae and biobutanol. Financial assistance to marketers will come through grants and loans from the USDA's Rural Energy for America Program (REAP) to place 10,000 blender pumps into the marketplace within five years.

Additionally, EPA Assistant Administration Gina McCarthy focused her testimony on the Renewable Fuel Standard (RFS), which requires 36 billion gallons of renewable fuels in our nation's motor fuel supply by 2022. McCarthy highlighted cellulosic ethanol production and its future. Sixteen billion gallons of cellulosic ethanol is required under the RFS. However, cellulosic ethanol production hasn't met its goals and most factories have yet to produce cellulosic on a commercial scale. EPA was forced to reduce the cellulosic mandate in 2011 of 250 million gallons to 6.5 million gallons.

Other witnesses argued that USDA and EPA should not roll back its biofuels loans and policies for advanced biofuels production. For instance, a DuPont representative argued that biobutanol has some advantages on ethanol in that it has higher energy BTU content and can be used in the traditional gasoline infrastructure.

Finally, Secretary Vilsack and EPA Administrator McCarthy also touched on the corn-based portion of the RFS which requires 15 billion gallons of ethanol blended with conventional gasoline. With the ethanol "blendwall" around the corner, EPA has approved E15 for use in 2001 and newer vehicles. Currently, retailers' gasoline infrastructure equipment is only certified for up to ten percent ethanol by Underwriters Laboratories (UL). This is a major obstacle because several federal regulations, state laws, local ordinances and insurance policies require UL certified equipment. Retailers who decide to sell E15 could be held liable to pay for cleanup costs if a leak occurs due to the increased ethanol blends, and insurance companies may deny coverage. While PMAA welcomes grants and tax credits for blender pumps under Sec. Vilsack's loan guarantee program, the main obstacle for E15 penetration is underground equipment such as piping, glues, seals, gaskets and older underground storage tanks. PMAA has suggested that any government biofuels grant program be applied to underground storage tank systems.

Expect more House and Senate hearings on E15 and advanced biofuels in the coming months. PMAA will release a regulatory report on USDA's blender pump program.

PMAA CFTC FUNDING VICTORY/INVESTMENT BANK ADVISES CLIENTS TO CASH OUT

As part of the Congressional budget agreement, the final FY 2011 compromise increases funding for the CFTC to \$202.7 million, an increase of \$34 million. House Republicans had advocated a 34 percent cut earlier this year; however, the multitude of communications from PMAA, NEFI and CMOC members helped to gain the FY 2011 increase. Our battle continues to also obtain appropriate funding for 2012 of \$308 million.

Also, in an amazing public turn-about, the head of commodities trading at Goldman Sachs is so worried about speculation causing a dangerous spike in the price of oil that he advised clients this week to cash in their profits before the bubble pops. Of course, the official position of securities traders, hedge funds and other market players and financial industry lobbyists is that speculation doesn't affect oil prices. .

Furthermore, this week a two-year bipartisan probe by the Senate Investigations Subcommittee examined the economic crisis and the role played by Wall Street in creating it. A focus was placed on Goldman and on Washington Mutual Bank. Specifically the 635 page report highlighted conflicts of interest within the investment banks. During a hearing this week Senator Levin (D-MI) pointed out that Goldman "concealed its adverse financial interests from potential investors, sold investors poor quality investments and placed its financial interests before those of its clients. That's a pretty damning, damaging kind of a finding." The Senate Subcommittee is turning over its findings to the SEC and the Justice Department.

HOUSE REPUBLICANS CRITICIZE WETLINES PROPOSAL

During a House Transportation and Infrastructure Subcommittee on Railroads, Pipelines and Hazardous Materials hearing this week, Chairman Bill Shuster (R-PA) and other Republican members expressed significant concerns about the new "wetlines" rule proposed by the Pipeline and Hazardous Materials Safety Administration (PHMSA). PMAA is opposed to the wetlines rule and hopes new scrutiny by Congress will further reveal the shortcomings.

The proposed rule would require DOT specification of transport trailers in flammable service to be equipped with bottom protection devices (steel guards) that would prevent rupture of wetlines in the event of a motor vehicle collision. Bottom protection devices would not be required where product is reduced to no more than 33 ounces in each line. The only practical way to meet this standard is with in-line purging devices. Transport trailers containing "combustible products" or flammable products reclassified as combustible are exempt from the proposed rule. In other words, diesel fuel, kerosene and heating oil placarded as 1993 would not be subject to the wetlines requirements. Moreover, the proposed amendments do not apply to cargo tank vehicles where the engine, body, and cargo tank are permanently mounted to the same chassis (straight trucks, bobtails, etc).

The proposed rule largely applies to gasoline transport trailers only. PHMSA is providing the exemption for combustible liquids because none of the recorded fatalities associated with wetlines rupture over the past 20 years involved combustible products. The proposed rule would require existing transport trailers in flammable service to be retrofitted with bottom protection equipment or meet the maximum 33 ounce residue standard within ten years. Newly manufactured trailers would be required to comply within two years.

The House Transportation Committee is drafting legislation to reauthorize the Hazardous Materials Transportation Safety and Security Act of 2005, which expired in September 2008, and Republicans see the wetlines proposed rule as another example of regulatory overreach and plan to give closer examination than has been raised before to the proposal.

In the meantime, PMAA will file comments opposing the rule before the extended PHMSA comment deadline of April 27, 2011.

IT'S TIME TO REGISTER FOR PMAA'S WASHINGTON CONFERENCE AND DAY ON THE HILL

PMAA's annual Washington Conference and Day on the Hill will be held in our Nation's Capitol of Washington, DC from May 11-13. This forum unites marketers, state association executives and suppliers from across the country to openly discuss all the issues facing the petroleum marketing industry with members of Congress and find solutions together.

The meeting will begin with a welcome reception including PAC silent auction on the evening of May 11. On the morning of May 12, marketers will head to Capitol Hill for visits with their Congressional delegations. The PMAA Board of Directors will meet on May 13.

For those planning to attend this informative event, please be sure to complete a [Registration Form](http://www.pmaa.org/userfiles/file/Washington%20Conference/2011/PMAA_RegistrationForm_WC.pdf) at http://www.pmaa.org/userfiles/file/Washington%20Conference/2011/PMAA_RegistrationForm_WC.pdf at your very earliest convenience

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2012 WESTERN PETROLEUM MARKETERS CONVENTION & CONVENIENCE STORE EXPO LAS VEGAS, NEVADA

Start planning now to attend the 2012 WPMA Convention and Convenience Store Expo. It will be held at the Mirage in Las Vegas, Nevada. Mark your calendars for February 21-23, 2012.

MARK YOUR CALENDARS FOR UPCOMING EVENTS IN 2011

June 7-9, 2011 – MPMCSA Convention – Hilton Garden Inn – Missoula, Montana

June 20-23, 2011 – WOMA Convention – Suncadia Lodge – Cle Elum, Washington

August 3-5, 2011 – IPM&CSA Convention – Sun Valley Resort – Sun Valley, Idaho

August 30-31, 2011 – NMPMA Convention – Embassy Suites, Albuquerque, New Mexico

September 14-16, 2011 – UPMRA Convention – Rainbow Hotel and Casino – Wendover, NV

Petro Pete: "Just thinking about income taxes often taxes the mind - which is something people once said the IRS couldn't do."

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