EPA RELEASES 2014, 2015 AND 2016 RFS PROPOSED VOLUME MANDATES

Today, the EPA announced proposed volume requirements under the Renewable Fuel Standard (RFS) program for the years 2014, 2015 and 2016. The agency also proposed volume requirements for biomass-based diesel for 2017. EPA exercised its statutory authority to mandate blending volumes lower than those required under the Clean Air Act (CAA) after evaluating the availability of qualifying renewable fuels and factors that in some cases constrain the supply of those fuels to the vehicles that can consume them. EPA also considered the ability of the market to respond to the applicable standards by producing changes in production, infrastructure, and relative pricing to boost the use of renewable fuels. The agency said that after extensive outreach and dialogue with the agricultural community, biofuel producers and the refining and distribution industry, it is proposing to establish 2014 standards at levels that reflect the actual amount of domestic biofuel use in that year, and standards for 2015 and 2016 (and 2017 for biodiesel) that increase steadily over time. Ethanol blends move from 13.25 billion gallons in 2014 to 14 billion gallons in 2016, a one billion gallon decrease over the 2016 statutory blending mandate.

### Proposed Renewable Fuels Volumes

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cellulosic biofuel</td>
<td>33 mill gal</td>
<td>106 mill gal</td>
<td>206 mill gal</td>
<td>n/a</td>
</tr>
<tr>
<td>Biomass-based diesel</td>
<td>1.63 bill gal</td>
<td>1.70 bill gal</td>
<td>1.80 bill gal</td>
<td>1.90 bill gal</td>
</tr>
<tr>
<td>Advanced biofuel</td>
<td>2.68 bill gal</td>
<td>2.90 bill gal</td>
<td>3.40 bill gal</td>
<td>n/a</td>
</tr>
<tr>
<td>Total renewable fuel</td>
<td>15.93 bill gal</td>
<td>16.30 bill gal</td>
<td>17.40 bill gal</td>
<td>n/a</td>
</tr>
</tbody>
</table>

PMAA continues to aggressively oppose any E15 mandate without a pathway to demonstrate legal compatibility for UST systems and liability protection. Earlier in the week, PMAA met with the White House Office of Management and Budget (OMB) to reiterate marketers’ concerns over demonstration guidelines adopted by the EPA Office of Underground Storage Tanks which do not provide a realistic pathway to legally dispense E15 in existing UST systems. PMAA also expressed concern that federal summer RVP requirements could not be met with E15 blends since the 1 psi RVP waiver allowance under the Clean Air Act only applies to ethanol blends between 9 percent and 10 percent. Without a similar waiver for E15, refiners would be forced to create a lower RVP blend stock that would be more costly and less fungible, creating supply bottlenecks throughout the gasoline distribution chain. Finally, PMAA highlighted its rebuttal letter concerning the ethanol lobby’s attempt to downplay infrastructure concerns. EPA will hold a public hearing on this proposal on June 25, 2015, in Kansas City, Kansas. The period for public input and comment will be open until July 27. EPA will finalize the volume standards in this rule by November 30, 2015.

NEW EPA RULE CLARIFIES FEDERAL CONTROL OVER NAVIGABLE WATERS

The EPA issued a final rule this week that attempts to settle once and for all the extent of federal jurisdiction over navigable waters under the Clean Water Act. The rule is important to petroleum marketers because it defines how far federal clean water regulations extend into local land use and permitting decisions including the construction of new gasoline stations and surface water runoff from parking and fueling areas. The rule essentially confirms federal jurisdiction over waters such as upstream wetlands and tributaries that flow into navigable rivers, lakes, bays and ocean estuaries. The new rule stems from a 2006 Supreme Court case in which a Michigan developer fought an EPA fine for filling in 54 acres of wetlands he owed to build a shopping center. The Court ruled that only bodies of water with a “significant nexus” to navigable waters are covered by the Clean Water Act.

The new rule was drafted to end confusion over the meaning of “significant nexus.” According to the EPA, it means any body of water that flows into a navigable body of water – even a ditch that is dry most of the year. The new rule will likely affect private land development projects adjacent to upstream tributaries or wetlands, but not the majority of ephemeral streams that don’t impact downstream waters. Ditches that collect storm water runoff but do not empty into downstream waters are not included in the new rule. GOP leaders in Congress have vowed to pass legislation that more narrowly defines waters subject to the Clean Water Act. It is expected many lawsuits will challenge the final rule. Oklahoma Attorney General Scott Pruitt has indicated that he and possibly other states will seek an injunction on the final rule.

HIGHWAY PROGRAMS EXTENDED TO JULY 31

Late last week, the Senate approved, via voice vote, a two-month highway policy extension through the end of July. The House also passed the extension last week by 387-35. Since the current highway programs expire at the end of this month, President Obama has said he will sign the legislation.

Enough funding remains for the two-month extension, but Members of Congress will need to come up with $11 billion to
extend the bill into December. And $90 billion is required for a six-year bill.

Some Republicans are pushing to extend the patch through the end of the year so that a Highway Trust Fund (HTF) reauthorization can be attached to a massive tax overhaul bill, but most do not think a tax overhaul is possible this Congress. Senator John Thune (R-SD) has indicated he would like to tie the highway funding bill to an all but certain to pass tax extenders bill (where the biodiesel tax has been extended over the past several years) later this year. Senate tax writing committee leaders have not given any hint as to whether that is possible. Meanwhile, the Senate Environment and Public Works (EPW) Committee will markup a six-year highway and transit bill on June 24.

PMAA’s Federal Transportation//Leaking Underground Storage Tank (LUST) Fund Task Force will meet via conference call in two weeks. The Task Force will consider options to keep the HTF solvent and consider which position PMAA should take regarding LUST funding.

NORA BIOFUEL STUDY REVEALS BENEFITS OF BIOHEAT BLENDS

NORA issued a landmark industry report this week on the utilization rate and analysis of the use of biofuels in heating oil equipment. The new report, Developing a Renewable Biofuel Option for the Home Heating Sector, is important to heating oil dealers because it demonstrates the significant economic and environmental benefits of biofuels along with important information regarding its efficiency as a home heating fuel, compatibility with existing heating oil equipment and data on market penetration and acceptance. The report was required by Congress as part of NORA’s reauthorization in 2014.

Key findings of the report include:

- The transition to ultra-low sulfur heating oil (ULSHO) lowers maintenance, improves efficiency and reduces pollution from heating systems.
- B20 blends using ULSHO as a blend stock are lower in greenhouse gas emissions (GHG) than natural gas when measured over 100 years. Blends of two percent (B2) or more are lower in GHG than natural gas when evaluated over 20 years.
- Performance studies of B20 blends on basic burner operation are equal to that of unblended heating oil.

The report concluded that biodiesel fuel and the move to renewable fuels present new opportunities for the heating oil industry and consumers. The transition can be made with minimal capital costs by consumers and heating oil dealers, removing a significant barrier to the widespread introduction of use of renewable home heating fuel.

PROPOSED SNAP RULE GOES TO WHITE HOUSE

This week, the Department of Agriculture (USDA) sent a proposed rule regarding the Supplemental Nutrition Assistance Program (SNAP) to the White House for review. Once the proposal is reviewed, USDA will publish the proposed rule for comment. A final rule in not expected until late this year or in 2016.

By law the rule (once finalized) will require retailers to offer for sale on a continuous basis a variety of at least seven foods in each of the four categories (1. dairy products; 2. meat, poultry, or fish; 3. fruits or vegetables; 4. bread or cereals) (Current law requires only three items in each category). It also requires SNAP retailers to stock at least one “perishable” food item in at least three of the four staple food categories. (Current law requires perishable items in only two of the staple food categories).

The law also requires the use of point of sale equipment that enforces item restrictions which will be implemented under a separate rulemaking.

MARK YOUR CALENDARS FOR UPCOMING EVENTS

February 16 – 18, 2016 - WPMA Convention & Expo – Mirage Hotel, Las Vegas, Nevada
June 2 – 4, 2015 - Montana (MPMCSA) Convention – Northern Hotel, Billings, Montana
August 5 – 7, 2015 - Idaho (IPM&CSA) Convention - Sun Valley Lodge - Sun Valley, Idaho
August 17-19, 2015 – New Mexico (NMPMA) - Marriott Pyramid North – Albuquerque, New Mexico
September 15-17, 2015 - Utah (UPMRA) Convention - Park City Marriott - Park City, Utah
August 3 – 5, 2016 - Idaho (IPM&CSA) Convention - Coeur d’Alene Resort - Coeur d’Alene, Idaho
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Petro Pete: “I'm so old I can remember getting through a single day without taking a picture of anything.”

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dry interstitial, 42” sump, non-water tight lid and includes deadmen straps
*12,000 Tank- $10,000.00  ** 6,000/6,000 Split Tank - $15,000.00

Contact Juan @ 208.724.3390 or ipejuan3@gmail.com