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**RICK REESE SELECTED AS NEW WPMA SENIOR PMAA DIRECTOR**

WPMA President Brett Adams has selected Rick Reese of Kellerstrass Oil in Ogden, Utah as the new WPMA Senior PMAA Director for 2012-2013.

**PMAA MEMBER FIRST TO OFFER E15**

On Wednesday, July 11, Zarco 66 owner Scott Zaremba, who is a member of PMAA's Motor Fuels Committee and Vice President of the Kansas Petroleum Marketers and Convenience Store Association, was the first retailer in the United States to offer E15. Based in Lawrence, Kansas, Zaremba has been a pioneer in the industry in offering alternative fuels.

Before E15 can be sold, retail stations and other gasoline distributors must implement labeling rules and other [E15-related requirements](#). E15 is not permitted for use in motor vehicles built prior to 2001 model year and in off-road vehicles and equipment such as boats and lawn and garden equipment. Gas pumps dispensing E15 will be clearly labeled so consumers can make the right choice.

Earlier this year, EPA approved the first applications for registration of ethanol for use in making gasoline that contains up to E15. In June, EPA gave the final green light when it issued guidance that addresses residual fuel left in gasoline pumps with a single hose. [The Renewable Fuels Association's EPA-approved misfueling mitigation plan](#) now addresses this issue. Retailers wishing to sell E15 can do so provided they register with EPA and follow approved misfueling mitigation protocols.

EPA is not requiring the use or sale of E15. PMAA recommends that independent petroleum marketing companies wanting to offer E15 should first obtain legal and regulatory expertise to assure compliance with the many applicable local, state and federal regulations.

**CONGRESSIONAL PANEL INVESTIGATES BIODIESEL RINS FRAUD TRADING**

On Wednesday, July 11 the House Energy and Commerce Committee Subcommittee on Oversight and Investigations heard from witnesses on the complexity and nature of the biodiesel renewable identification numbers (RINs) trading scandal that brought negative publicity to the biofuels industry and to EPA in recent months. Testifying before the subcommittee were: Jennifer Case, co-founder and CEO, New Leaf Biofuel; Andy Sprague, owner and operator, Union County Biodiesel Co. LLC; Thomas Paquin, president, VicNRG LLC; J.P. Fjeld-Hansen, managing director, Musket Corp.; Joe Jobe, CEO, National Biodiesel Board; Charles Drevna, president, American Fuel and Petrochemical Manufacturers; Byron Bunker, acting director, Compliance Division, Office of Transportation and Air Quality, EPA; and Phillip Brooks, director, Air Enforcement Division, Office of Enforcement and Compliance Assurance, EPA.

The federal Renewable Fuels Standard (RFS) enacted under the Energy Independence and Security Act of 2007 ("EISA"), Pub. Law No. 110-1740, requires refiners to blend a minimum annual volume of biodiesel into the nation's diesel fuel supply. To ensure that refiners meet these annual volumetric blending obligations, a unique tracking number (renewable identification number or RIN) is assigned to each gallon of biodiesel blended into diesel fuel. Under the program, refiners who have more RINs than they need to meet their annual volumetric blending obligations can sell the excess RINs on the open market. Refiners that do not blend enough biodiesel can purchase the excess RINs and count them towards their own annual volumetric obligation. Thus, RINs become a marketable credit with a currency value set by annual demand. Since RINs have a monetary value, refiners are incentivized to blend biodiesel into diesel fuel. Hundreds of petroleum marketers also participate in biodiesel blending and sell RINs generated from blending to obligated parties and pass on the savings to consumers in the form of reduced diesel fuel prices.

In recent months, millions of fraudulent RINs have surfaced because three biodiesel production facilities faked their biodiesel production volumes by selling invalid RINs which totaled in the millions of dollars to obligated parties. Drevna with AFPM defended his member companies (obligated parties) and said that EPA knew about these companies for over a year and did nothing to prevent the fraudulent RINs from hitting the market. Drevna faulted EPA for not alerting obligated parties, but EPA's Phillip Brooks said that since there was an ongoing investigation into the three companies, EPA couldn't alert

obligated parties for fear that word would get out and the companies who created the invalid RINs would destroy evidence before the Department of Justice and EPA could act. Drevna told Congress that EPA must develop an “affirmative defense” to ensure that obligated parties aren’t held liable for buying invalid RINs in the future. However, EPA said that when the RINs program was started, obligated parties insisted on a “buyer beware” market that puts the responsibility on the obligated party to ensure that they are buying a valid RIN which actually represents a gallon of biodiesel.

Meanwhile, many small to medium sized biodiesel producers have been affected by the RINs trading scam. Andy Sprague (Union County Biodiesel) and Jennifer Case (New Leaf Biofuel) both said that small biodiesel production companies have been unable to sell their RINs because obligated parties are reluctant to buy from small producers for fear they may be selling fraudulent RINs. RIN values from small biodiesel producers have plummeted. Mr. Sprague later said, “there’s a way to fix this without creating more bureaucracy within the bureaucracy (in this case the EPA)... With any system, there’s going to be fraud, but if you have the proper verification systems in place then you can minimize the bad actors.”

The majority of the witnesses thought that the RINs trading scam was overblown and that all parties can and will continue to work together to prevent fraudulent RINs from hitting the market in the future. All witnesses agreed that EPA should develop an affirmative defense for obligated parties.

Earlier this year, NBB launched a RINs Integrity Task Force which PMAA Second Vice Chairman, Sam Bell, is currently a member.

### **LAUNCH OF SMALL BUSINESS INITIATIVES**

This past Wednesday President Obama announced initiatives to help small businesses. Five are immediate executive actions that will accelerate Federal payments, reduce paperwork, and make it easier for small firms to access loans and tax credits. A sixth proposal would raise the amount of investment small businesses can expense next year to \$250,000 but it will require Congressional action which certainly will not occur until after the November elections.

Of the executive actions, those of most interest to petroleum marketers are likely to be the increased access to capital through SBA’s Small Loan Advantage (SLA) 2.0, which is being re-launched with a raised maximum loan amount from \$250,000 to \$350,000, a streamlined loan process, and the SBA launching of “Quick App” for surety bond guarantees under \$250,000.

### **HOUSE HEARING ON RFS’S FUTURE**

Earlier this week, the House Energy and Commerce Committee Subcommittee on Energy and Power held a hearing to review the latest on the Renewable Fuels Standard (RFS), the future of flex-fuel vehicles (FFVs) and E15. Testifying before the Subcommittee: Joe Petrowski, CEO of Cumberland Gulf Group; Jack Gerard, President and Chief Executive Officer of the American Petroleum Institute (API); Bob Dinneen, President and CEO of the Renewable Fuels Association (RFA); Thomas Tanton, Executive Director of the American Tradition Institute; Michael McAdams, President of Advanced Biofuels Association; Michael Breen, Vice President of the Truman National Security Project; Dr. Richard A. Bajura, National Research Center for Coal and Energy, West Virginia University; Gregory Dolan, Executive Director – Americas/Europe, Methanol Institute; Shane Karr, Vice President, Federal Government Affairs, Alliance of Automobile Manufacturers (AAM); Donald Althoff, CEO of Flex Fuel US; Thomas Hassenboehler, Vice President, America’s Natural Gas Alliance; and MaryAnn Wright, Vice President, Global Technology and Innovation.

The hearing addressed the Renewable Fuels Standard’s (RFS) challenges and whether Congress should revisit the program to prevent the ethanol “blend wall.” According to API’s Jack Gerald, U.S. refiners may face the E10 “blend wall” as early as 2013. To fix the ethanol “blend wall,” RFA and other ethanol trade associations continue to advocate for more ethanol use such as E15 and E85 fuels. RFA says that higher blends of ethanol pose no problems with 2001 and newer vehicles and that ethanol displaced gasoline imports by 10 percent last year. “Congress shouldn’t make changes to the RFS because it’s working by decreasing US dependence on foreign oil ....The U.S. just can’t frack our way to energy independence; therefore, alternative fuels should be a major component to U.S. energy independence,” RFA’s Dinneen said.

Mr. Petrowski reminded Congress the “Domestic Fuels Act of 2012” (H.R. 4345) will serve to bring alternative fuels into the market safely and legally. H.R. 4345 will provide a legal and regulatory pathway for retailers to sell EPA-approved fuels including E15 by granting the EPA Administrator the authority to issue guidelines to determine whether new and existing underground storage tanks and dispensing equipment are compatible with EPA-approved fuels. It also provides misfueling protection for retailers who abide by EPA’s E15 labeling requirements. For instance, if a motorist ignores the labels and fuels a 2000 model year or older vehicle with E15, the retailer should not be held liable if he/she correctly has the E15 label in place. The legislation satisfies this concern, so that retailers can offer E15 with confidence. Secondly, if a retailer stores and dispenses E15 in equipment that satisfies EPA’s compatibility requirements then that retailer won’t be held liable. “Since EPA approved E15 for use then retailers shouldn’t be held liable in the future for a fuel that the government says is okay to market – retailers need liability protection,” said Petrowski.

While API supports H.R. 4345, Mr. Gerald reminded lawmakers that at least five million vehicles on the roads today will be at risk if E15 hits the market. He cited engine durability problems. Meanwhile, Ford, GM, Chrysler, Toyota and most other

car manufacturers do not support E15 in legacy vehicles. Lexus and Toyota have placed explicit E15 warnings on their gas caps even on their new vehicles. Flex fuel vehicles were also discussed. Karr with AAM said, "The bottom line is that E85 FFVs are a piece of the puzzle, but their effectiveness in actually displacing gasoline consumption is a function of fuel price, availability and consumers' willingness to use E85. Thus far it has been small in impact – and requiring huge percentages of new vehicles to have this capability is unnecessary and cost ineffective for consumers."

E15 faces multiple legal, regulatory and marketplace challenges. H.R. 4345 will help ease many of the legal and regulatory barriers to E15 and other renewable fuels. PMAA will continue to support H.R. 4345.

## WPMA MEMBER SERVICES



### 2013 WESTERN PETROLEUM MARKETERS CONVENTION & CONVENIENCE STORE EXPO LAS VEGAS, NEVADA

Start planning now to attend the 2013 WPMA Convention and Convenience Store Expo. It will be held at the Mirage in Las Vegas, Nevada. Mark your calendars for February 19-21, 2013.

### MARK YOUR CALENDARS FOR UPCOMING EVENTS IN 2012

**August 1-3, 2012** – Idaho - IPM&CSA Convention – Coeur d'Alene Resort, Coeur d'Alene, Idaho

**August 15-16, 2012** – Utah - UPMRA Convention – Zermatt Resort, Midway, UT

**August 27-29, 2012** – New Mexico - NMPMA Convention and Trade Show – Embassy Suites – Albuquerque, New Mexico

Petro Pete: ***"The last time someone wanted me for my body I was filling out an organ donor card."***

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