

July 19, 2013

Visit us online at [www.wpma.com](http://www.wpma.com)

WP-07-19-13

**SENATE CONFIRMS NEW EPA ADMINISTRATOR**

On Thursday, the Senate confirmed Gina McCarthy by a vote of 59 – 40 to be the next EPA Administrator. President Obama nominated McCarthy in February when EPA Administrator Lisa Jackson stepped down. McCarthy's confirmation delay wasn't due to her lack of credentials, but many Senators were concerned that the EPA was moving too aggressively on CO2 emissions and motor fuels regulations including the Obama Administration's controversial tier 3 gasoline and ozone regulations.

Earlier this year, PMAA President Dan Gilligan met with McCarthy regarding retailers' concerns with the renewable fuels standard (RFS). McCarthy gave no indication to PMAA and other associations represented at the meeting on whether she would adjust the corn-based ethanol mandate if confirmed.

**RESULTS FROM THE NCWM ANNUAL MEETING**

This week, the National Conference on Weights and Measures (NCWM) held its 2013 Annual meeting in Louisville, Kentucky. Items on the agenda important to petroleum marketers were product labeling description requirements, a potential 10 micron diesel dispenser filter mandate, diesel gallon – natural gas equivalent comparison and an auto trade group effort to prohibit the sale of 85 octane gasoline.

At the NCWM Interim Meeting in January 2013, NCWM Laws and Regulations (L&R) Committee agreed to PMAA's recommendation to withdraw an item which would mandate gasoline and diesel product labels on each dispenser nozzle cover. After hearing from industry groups, NCWM officials withdrew the item given that there was no evidence that the proposal would help mitigate vehicle misfueling. When the NCWM House of Delegates and House of State Representatives unanimously approved the Laws and Regulations report, the item was officially withdrawn from the agenda.

The NCWM L&R Committee also left a vehicle manufacturers' backed item on the agenda which would mandate a 10 micron or smaller sized filter on all diesel dispensers. After intense discussion over the item in which PMAA opposed the 10 micron filter mandate, the Laws and Regulations Committee voted to withdraw the item. However, during the NCWM Official Voting Session, the item was moved to "developmental" indicating that the item has merit, but is returned to the submitter for further development before any action is taken at the national level. PMAA questioned whether NCWM was attempting to go beyond their scope of mission, which is the "development and implementation of uniform and equitable weights and measures standards." PMAA Vice Chairman Sam Bell argued that moving to a 10 micron filter "would slow the refueling process and is an unnecessary cost burden on small business petroleum marketers." Petroleum Marketers and Convenience Store Association of Kansas Executive Tom Palace concurred. If the item is adopted, a retail station could expect to pay an additional \$390 for diesel fuel filters per year due to having to change the filter more often. With about half of the nation's 160,000 retail stations selling diesel fuel, it would cost the industry over \$31 million per year. For now, the issue is delayed for another year which will allow time for industry stakeholders to come up with a consensus solution.

The NCWM Specifications and Tolerances (S&T) Committee and L&R Committee also examined the gasoline gallon equivalent (GGE) unit of light-duty natural gas vehicles with equivalent gasoline powered vehicles to allow motorists to readily compare costs and fuel economy. The item was left as "informational" which means that it will remain on the agenda and is stalled for another year. The NCWM has created a working group to analyze the issue. PMAA will continue to monitor the latest developments.

Finally, auto manufacturers have put forth a proposal to prohibit the sale of 85 octane gasoline. Several PMAA associations, with mountain or high elevation regions where 85 octane, is sold are opposed to this change. Marketers are concerned that this change would impact consumer choice at the pump and there's no evidence that 85 octane causes vehicle performance and maintenance issues. The L&R Committee voted to keep this item as 'informational,' so it will be left on the agenda for future consideration. Currently, the Coordinated Research Council (CRC) and ASTM are reviewing the proposal and many groups argued that NCWM should wait until the CRC study is completed before moving forward.

**SENATE HEARING ON COMMODITY MARKETS**

On Wednesday, Gene Guilford testified before the Senate Agriculture Committee on behalf of the Commodity Markets Oversight Coalition (CMOC) on the need for greater oversight of commodity futures and swaps markets and for greater protections for commodity hedgers. Other witnesses were: Kenneth Bentsen, President, Securities Industry and Financial Markets Association (SIFMA); Terrence Duffy, Executive Chairman and President, CME Group; Adam Cooper (on behalf of Managed Funds Association (MFA)), Senior Managing Director and Chief Legal Officer, Citadel LLC; Dennis Kelleher, President and Chief Executive Officer, Better Markets; Daniel Roth, President and Chief Executive Officer, National Futures Association (NFA); Walter Lukken, President and Chief Executive Officer, Futures Industry Association (FIA); John

Heck (on behalf of the National Grain & Feed Association (NGFA)), Vice President, The Scoular Company; Donald Russak (on behalf of the American Public Power Association (APPA), Executive Vice President and Chief Financial Officer, New York Power Authority; and, Jim Colby, Assistant Treasurer, Honeywell International.

The hearing was the first to consider the reauthorization (authority expires on September 30) of the Commodity Futures Trading Commission (CFTC). The Committee is seeking stakeholder input as it drafts a new reauthorization bill and PMAA and NEFI are fighting efforts to weaken the derivatives title of the 2010 Dodd-Frank Act and are urging congress to properly fund CFTC.

CMOC's Guilford spoke of the need for a transparent market, the need for stronger penalties on manipulation and greater protection for hedgers. In his testimony he told the Committee members that the market is dysfunctional because financial speculation is excessive – it makes up 70 percent of the energy futures market, and is skewing the supply and demand relationships in the crude oil market, resulting in oil prices that have remained high and volatile despite increasing domestic production and a surplus that U.S. producers can sell into world markets.

In her opening statement, Chairwoman Debbie Stabenow (D-MI) cited the financial meltdown of 2008 and the 2011 collapse of M.F. Global, "There was no question that we needed serious market reform. As this Committee begins the process of reauthorizing the CFTC, we need to examine lessons from the past and consider ongoing challenges to the system. We want to make sure the agency that is responsible for protecting these markets has the authority, staff, and modern technology it needs to do its job." Further, "This Committee has been closely monitoring the M.F. Global case, where customer funds – money that rightly belonged to farmers, businesses, and individuals all across the country – went missing," The Chairwoman stated that the Committee has focused on three goals since the M.F. case: getting customers money back, holding wrongdoers accountable, and ensuring that customer protections are in place so that another failure doesn't occur.

Ranking Member Thad Cochran (R-Miss.), responded to Guilford's testimony that he appreciated the CMOC input and "That's one of the reasons why we're having these hearings, to get some answers and find out what the heck is going on." To review the hearing or to pull witness testimony, [follow this link](http://www.ag.senate.gov/hearings/2013cftcreauthorization) (http://www.ag.senate.gov/hearings/2013cftcreauthorization) It is likely that CMOC will testify before a similar House reauthorization hearing next week as well.

### **PMAA APPEARS BEFORE SENATE ENERGY**

On Tuesday, PMAA President Dan Gilligan joined other industry members in a panel before the U.S. Senate Committee on Energy and Natural Resources. The full committee hearing was on how gasoline and distillates are being impacted by the renaissance in domestic oil production and the restructuring of the U.S. refining industry and distribution system. Most Senators on the Committee were present for the informational hearing.

The other witnesses were: EIA Administrator Adam Sieminski; Jeff Hume, vice chairman for Strategic Growth Initiatives at Continental Resources Inc.; Faisal Khan, managing director, Integrated Oil & Gas Research at Citigroup Inc; Bill Kleese, chairman and CEO of Valero Energy Corp.; and Chris Plaushin, director of federal relations at the American Automobile Association.

In addition to outlining the current structure of the refining and distribution system, in particular the movement of the major integrated oil companies away from direct ownership of the retail market, Gilligan discussed factors that contribute to the cost of gasoline and heating oil at the rack. The price of crude and the need for better regulation in the futures market, particularly the delay in finalizing position limits on crude oil futures contracts, and the need to approve the Keystone XL pipeline are included in his testimony. Further, he addressed some of the issues surrounding E-15 and the federal ethanol mandate, the role of interchange fees and taxes as well as pipeline disruptions and national disasters which also impact motor fuels and heating oil prices. Finally, Gilligan addressed planned and unplanned refinery outages and the need for dedicated funding for the Coordination of Planned Refinery Outages Program at EIA.

Valero's Bill Klesse noted that, "The important point is that any policies making it more difficult to refine in the U.S. are contrary to the public interest. There are things that the industry and regulators cannot control, such as the prices of crude oil, feedstocks and utilities. However, there are things, such as regulations and taxes, which regulators can control. Reducing those controllable costs will help bring consumer prices down and improve further the competitiveness of the U.S. refining industry to be able to export excess refined products."

Committee Chairman Wyden focused on understanding why, with the vast increase in U.S. production, retail prices have not gone down. Specifically, Wyden stated, " For years, a number of people in the oil industry has told the American people that U.S. gasoline prices are at the mercy of world oil prices. And that was basically the case because of our dependence on imported oil. New oil supplies from America have turned that dynamic on its head. Some regions of the country, like the Midwest, that have access to the lowest priced crude oil have some of the highest refining margins in the nation. This Committee is going to explore why so many consumers have not benefitted from these new lower cost sources of crude oil." The Chairman told EIA Administrator Sieminski that he plans to work with him to help provide data that will ultimately help consumers by lowering prices of motor fuels.

To view the hearing webcast or review witness testimony, please [click here](http://www.energy.senate.gov/public/index.cfm/hearings-and-business-meetings) (http://www.energy.senate.gov/public/index.cfm/hearings-and-business-meetings).

### **JOIN PMAA IN ATLANTA THIS OCTOBER**

PMAA will hold its Fall Meeting on October 11-12 at the Hyatt Regency Atlanta. Please view current information at <http://www.pmaa.org/pmaameetings/upcomingmeetings.asp>.

### **2014 WESTERN PETROLEUM MARKETERS CONVENTION & CONVENIENCE STORE EXPO LAS VEGAS, NEVADA**

Start planning now to attend the 2014 WPMA Convention and Convenience Store Expo. It will be held at the Mirage in Las Vegas, Nevada. Mark your calendars for **February 18-20, 2014**.

### **MARK YOUR CALENDARS FOR UPCOMING EVENTS IN 2013**

**July 31-August 2, 2013** - Idaho (IPM&CSA) Convention - Sun Valley Resort - Sun Valley, Idaho

**August 27-29, 2013** – New Mexico (NMPMA) Convention – Albuquerque Marriott Pyramid North, Albuquerque, NM

**September 12-13, 2013** - Utah (UPMRA) Convention - Zermatt Resort - Midway, UT

**October 4, 2013** – HPGA Golf Tournament –Mauna Lani Resort, South Course– Kohala Coast, Big Island, HI

Petro Pete: ***“I used to eat a lot of natural foods until I learned that most people die of natural causes.”***

© 2013 Western Petroleum Marketers Association - All rights reserved. No part of this work may be reproduced or copied in any form or by any means - graphic, electronic, or mechanical, including photocopying, recording, or otherwise. The information herein is also intended for the sole purpose of members of the Western Petroleum Marketers Association (WPMA). Any other use is strictly prohibited without the express written consent of the WPMA.

If you do not wish to receive information via fax or e-mail, please contact WPMA at: (801) 263-9762, Fax: (801) 262-9413, or e-mail: [janr@wpma.com](mailto:janr@wpma.com). Thanks.



### **WPMA MEMBER SERVICES**

