WPMA
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News and Information for the Petroleum Marketers Industry
weekly update

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## PMAA SUPPORTS OPPOSITION TO CREDIT CARD SETTLEMENT

Earlier this week, PMAA congratulated NACS President Hank Armour for the bold decision to oppose the much publicized antitrust settlement with Visa and Mastercard. While PMAA is not a plaintiff in the litigation, the settlement will bind all retailers who accept Visa and Mastercard and it does very little to advance competition or transparency in swipe fees. Since NACS announced its opposition, Target, Walmart and SIGMA have also announced their opposition to the settlement. It is too early to tell if the opposition will alter or derail the settlement and more reports will follow.

## CONGRESSIONAL FOCUS ON TAX EXTENDERS

Tax cut extension talks dominated most of this week on Capitol Hill. Senate Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY) were able to strike a deal to allow two competing tax cut measures to hit the floor. The two bills required a simple majority vote to pass. Reid's democratic tax cut measure passed by a vote of 51 – 48 which would continue the 2001 and 2003 George W. Bush's tax cuts on incomes up to $200,000 for individual taxpayers and $250,000 for couples. The Republican measure to extend all current Bush era tax cuts and the current estate tax rate for another year failed largely along party lines by a vote of 45 – 54. These votes are largely symbolic to differentiate each party's stance on tax cut extensions before the November elections.

Earlier in the week, PMAA joined the National Federation of Independent Business and other members of the Family Business Estate Tax Coalition in a letter urging Congress to act quickly on extending the expiring 2001 and 2003 reduced tax rates.
PMAA also joined the National Association of Wholesaler-Distributors, the Chamber of Commerce and many other associations in a similar letter to the Hill. Both letters called on Congress to extend all the expiring tax rates for one year while providing for the expedited consideration of comprehensive tax reform early in 2013.
The House will tackle similar tax cut extension versions next week. The House GOP legislation will extend all the expiring income tax rates, the reduced rates on capital gains and dividends, the current death tax rate and exemption, and will include expedited procedures for consideration of the measure in both Houses of Congress. The Democratic measure will likely extend tax cuts on incomes up to 200,000 for individuals and $250,000 for couples.

## COSTLY HEALTH CARE LAW

The Wall Street Journal reports that the new federal health insurance law could cost McDonald's and its franchisees more than $400 million a year in additional health-care expenses. McDonalds Chief Financial Officer Peter Bensen estimates that each restaurant will incur between $10,000 and $30,000 in added annual costs, Bensen said in response to an analyst's question on a conference call. There are about 14,000 McDonald's restaurants in the U.S., meaning McDonald's expects the total cost to the company and its franchisees to be in the range of $140 million to $420 million. McDonald's owns about 11 percent of its U.S. restaurants, while the rest are franchised.

PMAA believes employer mandates in the new law will have devastating consequences for many petroleum marketing companies and must be repealed or reformed before 2014.

## SENATE REPUBLICANS UNVEIL ENERGY POLICY LEGISLATION

On Thursday, Senate Republicans introduced legislation which would expand areas for oil exploration, mandates approval of the Keystone XL pipeline and limits EPA's regulations. The Senate measure largely mirrors the House passed "Domestic Energy and Jobs Act," (H.R. 4480) which passed in June along party lines 248 – 163. The chances of H.R. 4480 or the Senate GOP companion bill becoming law are slim to none since the President would likely veto the bill. The House and Senate GOP's energy bills are meant to be messaging bills to differentiate their party from the other party before the November elections.

Both the Senate and House GOP bills would create an interagency committee to analyze regulations that can lead to higher gasoline prices, particularly three pending EPA air quality rules: Tier III limits on sulfur in gasoline, a new ozone standard and emissions curbs for refineries. The analysis and cost considerations would require at least 13 months to complete. Both bills would require a minimum annual acreage leasing plan that makes available at least 25 percent of the lands open for leasing each year. More importantly, it cuts at the red tape by setting a firm timeline for the Secretary of the Interior to issue oil drilling leases and would set a 90 day time limit to file a legal challenge to an energy project. Republicans argue that while U.S. oil production is at its highest levels in years, the majority of that production has taken place on private lands while actual public land development has fallen under the Obama Administration's policies.

The Senate version doesn't include the House's "Strategic Energy Production Act" which would require any SPR release to be coordinated with proportional increases in domestic crude oil production. Basically, if the President released oil from the SPR, then he would have to open a percentage of federal land for oil exploration if this bill were to become law. Republicans argued that the President used the SPR as a political tool in the past to lower energy prices to help his reelection chances.

PMAA supports legislation that expands America's energy portfolio and prevents costly EPA ozone regulations. PMAA has also asked House and Senate GOP members to support oil futures market reform initiatives.

## SENATE DISCUSSES NATURAL GAS AS A TRANSPORTATION FUEL

On Wednesday, the Senate Energy and Natural Resources Committee held a hearing to review the potential obstacles that natural gas faces as a transportation fuel. Testifying before the committee were: Dave McCurdy, president and CEO, American Gas Association; Michael Gallagher, senior adviser, Westport Innovations Inc.; Reg Modlin, director of regulatory affairs, Chrysler Group LLC.; David Greene, corporate fellow, Oak Ridge National Laboratory; and Paul Cicio, president, Industrial Energy Consumers of America.

Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-NM) challenged witnesses to explain why natural gas hasn't been able to penetrate the transportation sector. Witnesses cited the "chicken and egg" conundrum. With little to no natural gas refueling infrastructure, car manufacturers are reluctant to invest in CNG/LNG cars. It can be said the other way around as gasoline station owners are reluctant to invest in natural gas infrastructure since there's so few CNG/LNG cars on the road (less than 120,000 nationwide). Oak Ridge National Laboratory's fellow, David Greene, cited natural gas obstacles such as increased vehicle cost mainly due to the greater cost of compressed gas storage tanks, reduced range and, therefore, increase frequency of refueling as well as diminished cargo space due to the lower energy density of compressed natural gas. "We need to proceed with caution – attempting a large scale transition from petroleum fuels to natural gas would be a mistake in my opinion," said Mr. Greene. All witnesses agreed that the low hanging fruit for natural gas lies within state and municipal fleets in which hundreds nationwide have already converted to natural gas. The next on the list is to convert trucking fleets to natural gas. Many fleet operators have announced plans to expand natural gas operations including Waste Management, Verizon, and Ryder.

McCurdy said that natural gas utilities are providing early markets for NGVs – "The gas utilities in AGA's membership maintain over two million miles of natural gas distribution pipelines nationwide which means we can place CNG fueling stations around the country. Currently, there are over 1,000 CNG stations in the US, and many of these are owned and operated by gas utilities." PMAA has concerns with monopoly utility companies using monopoly tactics to control transportation refueling markets. PMAA believes for natural gas to effectively serve transportation, existing refueling outlets must play a significant role.

Meanwhile, Paul Cicio with the Industrial Energy Consumers of America said that the government shouldn't be in the business in picking winners and losers. Cicio's organization is opposed to the Nat Gas Act which would impose a tax on compressed natural gas (CNG) and liquefied natural gas (LNG) to fund tax credits for trucks to convert to CNG/LNG. Federal subsidies would also be available for new refueling infrastructure. "Since natural gas is so cheap compared to diesel fuel, the market will work to supply natural gas without the need for government involvement," Cicio said.

Other challenges include home automobile refueling and tax code obstacles. Modlin with Chrysler said that home refueling is extremely expensive, although research is ongoing to make it cheaper and faster. Home refueling equipment often costs more than $5,000. The tax code also poses challenges to the liquefied natural gas (LNG) market. Currently, LNG incurs an effective excise tax rate of $0.41 per diesel gallon equivalent versus $0.24 for diesel fuel. Because the tax is applied on a volume basis rather than energy content, the lower LNG energy density is more costly.

**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: "***Forgetful? Can't remember where you put things? There's an app for that, somewhere…***"



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