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UPDATE ON ETHANOL TAX CREDIT

Although a deal was reached recently by Sens. Thune (R-SD), Klobuchar (D-MN) and Feinstein (D-CA) on ending the 45 cents-per-gallon ethanol tax credit on July 31, 2011, that ethanol deal is not likely to be included in the debt limit legislation which the Obama Administration, Senate Majority Leader Harry Reid (D-NV) and Speaker John Boehner (R-OH) are attempting to draft. Savings from ending the ethanol blender's credit early would have gone towards expanding the Alternative Fuel Vehicle Refueling Property Credit (AFVRPC). The AFVRPC was to be applied not just for blender pumps, but also for UST systems if marketing E15 – E85 blends. Given that Congress is not likely to end the 45 cents-per-gallon credit on July 31, 2011, it is expected that the credit will be available until it expires on December 31, 2011.

NORA NOW!

The oilheat industry across the country is working to ensure a brighter future by raising public awareness and support for legislation that would renew and strengthen the National Oilheat Research Alliance program, or "NORA." The New England Fuel Institute (NEFI) has joined forces with other oilheat associations and industry advocates to develop a new advocacy website www.SupportNORA.org to support reauthorization of NORA. Please visit the site for more information and continue to urge your lawmakers to co-sponsor H.R. 1756 and S. 949.

NEW CAFE STANDARDS TARGET 40 PERCENT REDUCTION IN FUEL CONSUMPTION BY 2025

The Obama administration and major auto manufacturers agreed this week to raise fuel economy standards for cars and light trucks over an eight year phase-in period. The agreement would require U.S. vehicle fleets to average 54.5 mpg by 2025. The new standard, once fully implemented, would represent a 50 percent cut in greenhouse gas emissions and a 40 percent reduction in fuel consumption compared with today's vehicles.

The proposed standard falls short of the 62 mpg standard advocated by environmental groups but represents a huge decrease in tailpipe emissions. The proposal would require an annual five percent mpg improvement between 2017 and 2025 for automobiles. Light trucks and SUVs would be required to achieve a 3.5 percent annual mpg improvement between 2017 and 2021 followed by a five percent improvement through 2025. The proposal would build on the first ever national program for vehicle greenhouse gas emissions limits established in 2010.

Currently, automobiles are required to reduce greenhouse gas emissions to 250 grams per mile of carbon dioxide equivalent by 2016. Under the new fuel efficiency proposal, greenhouse gas emissions would be reduced still further to 163 grams per mile of carbon dioxide equivalent by 2025. In 2010, the U.S. car and light truck fleet averaged 28.3 mpg and 314 grams per mile. The EPA is scheduled to announce the agreement later this week followed by a proposed rule before the end of the year.

EPA DELAYS OZONE RULE INDEFINITELY

The Environmental Protection Agency (EPA) announced Tuesday that it would delay its final rule curbing ground-level ozone. This marks the fourth time the agency has delayed issuing the rule. The EPA said the rule is going through the normal regulatory review process at the Office of Management and Budget. It did not indicate when the rule would be issued.

The proposed standard would limit ground-level ozone, or smog, to between 60 and 70 parts per billion (ppb). Nearly every county in the country would fall into non-attainment requiring marketers to invest in equipment to help meet the tighter standard as states would adjust their SIPs to comply with the new rule.

The rule has been opposed by groups including PMAA, API, the US Chamber and other petroleum industry and small business groups.

HOUSE LIKELY TO VOTE ON AMENDMENT TO BLOCK E-15

Earlier this week, Reps. John Sullivan (R-OK) and Gary Peters (D-MI) introduced an amendment to the FY 2012 Interior, Environment, and Related Agencies Appropriations Act (H.R. 2584). The amendment would prevent EPA from using discretionary funds to increase the amount of ethanol blended in our nation's fuel supply. Currently, EPA allows up to 10 percent ethanol (E-10) to be used in most gasoline engines and is moving forward to increase this percentage to 15 percent.

A coalition of trade associations, including automobile and small engine manufacturers, are supporting the amendment. Car makers including BMW, Chrysler, GM, Ford, Mercedes-Benz, Mazda and Toyota do not approve of E-15 being used in their 2001 or later models. If car warranties are in jeopardy, this is a compelling reason why petroleum marketers need liability

protection before choosing to offer E-15.

It is unclear when the Sullivan-Peters amendment will come up until lawmakers reach a deal on the debt limit. Earlier this year, the House of Representatives passed an identical amendment by a vote of 285-136 which was offered to H.R. 1 (Continuing Appropriations Act), but the overall legislation failed to be acted upon in the Senate.

PMAA AND NEFI COMMEND CFTC FOR EXEMPTING COMMON CONTRACTS FROM SWAPS RULE

Late last week, PMAA and NEFI submitted joint comments to the Commodity Futures Trading Commission (CFTC) on their notice of proposed rulemaking to define "swaps." The letter commended the CFTC for excluding a number of common contracts, such as insurance contracts, commodity-based forward (delivery) contracts, and consumer-oriented fixed-price and pre-pay contracts, from the definition of "swaps." In doing so, the CFTC has exempted such contracts from the new regulatory regime under last year's Wall Street Reform law.

PMAA and NEFI applauded the CFTC for acknowledging the important need to avoid regulatory compliance, reporting or cost burdens on petroleum marketers and home heating fuel dealers. The comment letter urged that the CFTC expand the forward contracts exemption to include oil and gas storage contracts, and fixed-price or pre-pay agreements negotiated between dealers and governments, municipal entities or public welfare enterprises.

The letter also expressed support for a final rule that "does not inadvertently provide exclusions or 'loopholes' that would allow certain market participants to evade regulation or to exclude contracts, agreements and transactions that are speculative in nature, that are linked to futures, options or swaps that affect price discovery, contribute to extreme market volatility or speculation, or are done with the intent to manipulate or defraud."

In a related note, PMAA reported last week that David Fraley of Fraley and Company, Inc. in Colorado testified before the House Agriculture Committee calling on Congress to support derivatives reform and to fully fund the CFTC. Below is a photo of Mr. Fraley during the hearing. In front of Mr. Fraley are the studies he brought for the hearing record that prove that excessive speculation is a serious threat to our economy.

SENATE COMMERCE SUBCOMMITTEE EXAMINES REAUTHORIZATION PROPOSALS FOR FMCSA

Last Thursday, the Senate Commerce Subcommittee on Surface Transportation, Safety, Merchant Marine Infrastructure and Security held a hearing to reauthorize the Federal Motor Carrier Safety Administration (FMCSA). The Subcommittee examined proposals including commercial truck weight and speed limits, electronic on-board recording devices, and event data recorders. The federal government and advocacy groups are arguing for tighter controls on industry even though the safety record of commercial vehicles have improved to their lowest levels in recorded history. Senator Frank Lautenberg (D-NJ), chairman of the subcommittee, said that legislation would be introduced soon to reauthorize FMCSA which is expected to be included in the larger surface transportation reauthorization package being developed in both the Senate and the House.

Currently, FMCSA is addressing hours of service, tougher training for drivers, oversight, and entry requirements for operators and increased penalties for violators. In April, Rep. James McGovern (D-MA) introduced the Safe Highways and Infrastructure Preservation Act (SHIPA) (H.R. 1574) which would limit truck weight to 80,000 pounds. The American Trucking Associations (ATA) are opposed to this requirement arguing that heavier trucks would be more productive which would benefit the environment by reducing vehicle miles traveled and greenhouse gas emissions and would result in fewer truck trips which reduces the number of potential accidents.

Recommendations from the National Highway Traffic Safety Administration include: speed limiters on all larger trucks to no more than 65 miles per hour; event data recorders, requirements to equip commercial vehicles with electronic stability control and crash-avoidance systems, advances in crash mitigation technologies, and recommendations for improvements in vehicles crashworthiness and compatibility enhancements.

PMAA members should keep in mind that this is only a Senate committee measure at this time. Many of these proposals have not been considered by the House which may have alternative strategies for addressing these issues. PMAA will brief members of the House Transportation and Infrastructure Committee on our concerns with the Senate measure.

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. Our keynote speaker will be Ben Stein. Mark your calendars for February 21-23, 2012.

MARK YOUR CALENDARS FOR UPCOMING EVENTS IN 2011

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 12, 2011 – IPM&CSA Golf Tournament – Teton Springs-Headwater Golf Course – Victor, Idaho

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

September 21, 2011 – NPM&CSA – Tanker Yanker – Reno, NV

Petro Pete: "The early bird might get the worm, but the second mouse gets the cheese."

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