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ETHANOL INDUSTRY URGES CONGRESS TO RAISE AMOUNT OF ETHANOL PERMITTED IN GASOLINE

This week the House Committee on Small Business held a hearing to address the current state of the renewable fuels industry. Testifying before the committee were Nathan Kimpel, President and Chief Operating Officer, New Energy Corp.; John Howe, Vice President of Public Affairs, Verenum Corporation; Manning Feraci, Vice President of Federal Affairs, National Biodiesel Board; Ron Litterer, Chairman, National Corn Growers Association; and Brooks Hurst, The Paseo-Cargill Biofuels Plant.

The ethanol and biodiesel industries urged Congress for government-backed loan guarantees to invest in new technology in addition to an increase in the amount of ethanol permitted in gasoline. Furthermore, they urged Congress to extend the one dollar-per-gallon biodiesel blending tax credit which is set to expire on December 31, 2009. The Energy Independence and Security Act of 2007 (P.L. Nol. 110-140) requires the motor fuel supply to include 36 billion gallons of ethanol and advanced biofuels by 2022. EPA has the authority to raise the allowable renewable fuel blend level but it must first consider conflicting Clean Air Act provisions. Under current regulations, gasoline can only have up to ten percent ethanol content if designated for use in non-FFV vehicles. Also, PMAA has advised EPA that the vast majority of retail gasoline infrastructure is not certified for ethanol blends higher than E-10. Even if EPA approved the higher blends, very few retailers could legally store it or sell it. PMAA's Alternative Fuels Task Force is focusing significant attention on mid-level ethanol storage and dispensing issues.

Access to available credit and lower corn prices has plagued the renewable fuels industry in 2009. According to industry representatives, the current method to receive government loan guarantees is insufficient because it restricts the amount of interest a bank can charge for the percentage that is not guaranteed by the government. Banks want to see proven technology on a commercial scale before offering a loan which makes it difficult for renewable fuel industries to develop new technology because they are unable to obtain a loan in the first place. Manning Feraci with the National Biodiesel Board said that less than one-third of the industry's facilities are currently producing fuel.

HOUSE COMMITTEE PASSES FDA TOBACCO REGULATION BILL

This week the House Energy and Commerce Committee passed the Family Smoking Prevention and Tobacco Control Act (H.R. 1256) by a vote of 39 -13 which would give the FDA the authority to regulate tobacco products.

While H.R. 1256 included provisions that would allow the FDA to regulate sales of tobacco on Native American lands and regulate internet tobacco sales, it still has several problems that would affect retailers. H.R. 1256 would punish retailers if the packaging, labeling or advertising for tobacco products are found to be out of compliance with whatever regulations are determined by the FDA. Retailers are rarely involved with any of those decisions and should not be punished for manufacturers' mistakes. Second, H.R. 1256 does not limit itself to just additional federal regulation. State and local laws are not pre-empted meaning the bill does not prohibit states or localities from enacting additional measures on the sale, distribution, possession, exposure, and access to tobacco products.

H.R. 1256 includes certain protections for retailers. A provision in H.R. 1256 would protect retailers from accidental sales of tobacco to minors by a "good faith" clause. A retailer would be protected if the retailer adopted and enforced a written policy about sales to minors, informed employees of relevant laws, established punishments for employees who violate that law and require employees to verify a purchaser's age using a government-issued photo-ID or an electronic scanning device. Additionally, H.R. 1256 would clarify that a retailer cannot be held liable for a violation if a minor presents a false government ID. Additionally, the bill would allow retailers to sell non-prescription smoking cessation products.

User fees on tobacco products will fund the measure expected to total \$5.5 billion over 10 years. The legislation would allow the FDA to regulate or reduce nicotine levels but not eliminate nicotine entirely. Rep. Steve Buyer (R-IN) introduced a number of amendments including one that would have created a separate agency within the Department of Health and Human Services to regulate tobacco; however, that was defeated 18 – 34. Other Republican amendments were introduced but all were either rejected or withdrawn due to Democrat opposition.

The bill will now head to the House floor for a vote (date not yet set) which is likely to pass. It is also expected that the

Senate will adopt the House language which will then be sent to the President for his signature. President Obama is likely to sign FDA regulation of tobacco legislation given that he cosponsored tobacco regulation legislation when he was in the Senate.

PMAA will continue to oppose FDA regulation of tobacco legislation.

PRESIDENT'S BUDGET EXPECTS \$646 BILLION IN REVENUE FROM CAP-AND-TRADE PROGRAM

This week President Obama revealed his FY 2010 budget blueprint which starts October 1, 2009. It estimates that \$646 billion will be raised over ten years from a highly controversial U.S. carbon cap-and-trade program. Essentially, the President is predicting that Congress will agree to impose \$646 billion of new energy costs on U.S industry in an attempt to reduce global warming. Senate Majority Leader Harry Reid (D-NV) has indicated that he plans to bring a cap and trade bill to the Senate floor by the summer. Speaker Nancy Pelosi (D-CA) has similar ambitions for the House of Representatives.

According to the President's budget plan, climate change revenue will start coming in for fiscal year 2012 collecting \$79 billion. Over the next ten years, cap-and-trade revenues are projected to fund \$120 billion for clean energy technologies and \$526 billion for payroll tax refunds of \$400 for individuals and \$800 for couples to help offset higher energy costs likely to result from a cap-and-trade law. Obama administration officials say that trading allowance would be approximately \$20 per ton of carbon emissions and rising which would reach Obama's goal of reducing carbon dioxide emissions by 80 percent in 2050. PMAA's Climate Change Task Force has been carefully monitoring reports on the various proposals so that we can take action when legislation is introduced.

For several years, Congress has been debating a carbon cap-and-trade program which would place an emissions cap on the amount of greenhouse gas emissions that a company is allowed to emit. Essentially, the government would auction emissions permits to companies required to reduce their emissions and then it would be up to the company to reduce emissions below its cap. If a company emitted less than the cap imposed, it could then sell emissions credits to another company that may need to increase their emission allowance above its cap.

Additionally, the budget proposal plans to eliminate several oil and gas tax incentives including the enhanced oil recovery credit, the marginal well tax credit, and would repeal the manufacturing tax deduction for oil and gas companies worth \$13 billion over ten years. The budget plan also intends to impose a new excise tax on Gulf of Mexico oil and gas production. The budget blueprint is a 134-page summary – a more detailed agency budget report will be coming in April.

PLEASE TAKE THE TIME TO REGISTER NOW FOR PMAA'S WASHINGTON CONFERENCE AND DAY ON THE HILL

PMAA's annual Washington Conference and Day on the Hill will be held in our Nation's Capitol of Washington, DC from May 13-15. This forum unites marketers, state association executives and suppliers from across the country to openly discuss all the issues facing the petroleum marketing industry with their members of Congress and find solutions together.

The meeting will begin with an issues briefing and issues groups on the afternoon of May 13 followed by a welcome reception including our PAC silent auction fundraiser. On the morning of May 14th, marketers and association executives will then head to Capitol Hill for visits with their Congressional delegations. There will be a hospitality suite in the Cannon Building and a luncheon in the Rayburn Building. On the evening of May 14, we will honor our new PMAA Chair, Matt Bjornson. The PMAA Board of Directors will meet on May 15th followed by our Distinguished Service Award luncheon. For those who have hotel reservations, please be sure to complete a registration form at <http://www.pmaa.org/meetings/pmaa.asp>. Complete conference schedule and hotel information is available at <http://www.pmaa.org/index.asp>. Please make your plans now to attend.

SPRING FORWARD ON MARCH 7: DAYLIGHT SAVINGS TIME BEGINS

Please remember to set your clocks forward one hour Saturday night before going to sleep. Daylight savings time, the practice of extending daylight into the evening hours to save electricity, starts on the second Sunday in March and ends the first Sunday in November. Congress extended daylight savings in 2005 by a month. Hawaii and much of Arizona still do not observe daylight savings.

2009 WPMA POST-CONVENTION TOUR - HUBBARD GLACIER CRUISE

Many have been asking where our next WPMA Travel Adventure will be. We have found an absolutely incredible cruise aboard Celebrity Cruise Line's ultra-luxurious ship Infinity, sailing from Seattle, Washington through the spectacular Inside Passage to Alaska, June 12-19, 2009.

Reservations must be made within the next 30 days, or as long as space lasts. WPMA has only a certain number of staterooms available on a first come-first serve basis. Call Chris Lambert at Destinations, Inc. at (801) 446-5000 or toll free at 1-800-748-4777 for more information and to book your reservations.

2010 WESTERN PETROLEUM MARKETERS CONVENTION & CONVENIENCE STORE EXPO LAS VEGAS, NEVADA

Start planning now to attend the 2010 WPMA Convention and Convenience Store Expo. It will be held at the Mirage in Las Vegas, Nevada. Mark your calendars for February 16-18, 2010.

SAVE THE DATES FOR THESE UPCOMING EVENTS IN 2009

June 9-11, 2009 – MPMCSA Convention, Trade Show & Golf – Hilton Garden Inn, Missoula, MT

June 18, 2009 – UPMRA Golf Classic – Wasatch Mountain State Park, Midway, UT

June 23-25, 2009 – WOMA Convention and Golf Tournament – Suncadia Resort, Cle Elum, WA

July 29-30, 2009 – IPM&CSA Convention and Golf Tournament – Sun Valley Resort, Sun Valley, ID

August 30-31, 2009 – NMPMA Convention and Golf Tournament – Embassy Suites, Albuquerque, NM

September 20-22, 2009 – UPMRA Convention and Golf Tournament – Courtyard Marriott, St. George, UT

Petro Pete: "A Dutchman was explaining the red, white, and blue Netherlands flag to an American.

"Our flag is symbolic of our taxes. We get red when we talk about them, white when we get our tax bills, and blue after we pay them." The American nodded. "It's the same in the USA only we see stars too!"

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