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HOUSE PASSES ANOTHER HIGHWAY BILL

Although Congress recently passed a Highway bill extension, HR 4348, which was introduced this week and subsequently passed the House on Wednesday by a vote of 293 to 127, mirrors the extension passed in March but extends the authorizations further until September 30 and includes a provision to fast track the Keystone XL pipeline.

The purpose in moving the Surface Transportation Extension Act Part II is to move a straight extension bill to conference where some compromises with the Senate can be achieved. PMAA is encouraging policy makers to include the PMAA supported language from the House authorization bill (that has not passed) which would bar the Department of Transportation from moving forward with its proposed wetlines rule until a thorough cost-benefit analysis was completed.

Conferees from both the House and Senate are expected to be announced next week. Transportation Secretary LaHood said that he does not anticipate an actual Highway policy authorization to pass until after the elections this Fall.

SUBCOMMITTEE HEARING ON RENEWABLE FUELS LIABILITY BILL

Yesterday, Chairman John Shimkus (R-IL) of the House Subcommittee on Environment and the Economy held a hearing on the "Domestic Fuels Act of 2012" (H.R. 4345), which would provide a legal and regulatory pathway for retailers to sell EPA-approved fuels including E15. Witnesses were: Charles Drevna, American Fuels and Petrochemical Manufacturers; John Eichberger, National Association of Convenience Stores; Bob Dinneen, Renewable Fuels Association; K. Allen Brooks, State of New Hampshire's Environmental Protection Bureau and Shannon Baker-Branstetter Policy Counsel, Energy and Environment.

The legislation would give 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.

During the hearing, Eichberger, Dinneen and Drevna agreed that if EPA approves a new fuel for use then retailers, jobbers, ethanol producers and refiners shouldn't be held liable in the future for a fuel that the government says is okay to market. Mr. Dinneen said that while the EPA moved forward with caution because they didn't have enough data to support pre-2001 vehicles for using E15, most higher blends of ethanol pose no problems with older vehicles. Meanwhile, Ranking member of the House Energy and Commerce Committee Henry Waxman (D-CA) argued the minority party's concern that the bill "was flawed because it could potentially exempt oil companies from MTBE litigation and all 9,000 fuels and fuel additives from liability and remove the incentive for responsible corporate responsibility." While the bill doesn't exempt retailers from Occupational Safety and Health Administration (OSHA) requirements since OSHA requires UL certified equipment to market E10 plus blends, the legislation would provide another avenue to market E15.

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.

HOUSE SUBCOMMITTEE APPROVES BILL TARGETING BOUTIQUE FUEL REQUIREMENTS

On Tuesday, the House Energy and Commerce Subcommittee on Energy and Power approved a bill along party lines known as the "Gasoline Regulations Act of 2012" which would delay EPA's 2008 ozone requirements and its new Tier 3 gasoline proposed rule until an interagency study is completed to see how those rules will impact prices at the pump. If EPA were to finalize a rule requiring Tier 3 gasoline and new ozone standards, these rules would force much of the country into nonattainment status which would require refineries to make a lower RVP fuel and, in many cases, reformulated gasoline. PMAA opposes Tier 3 gasoline and the new ozone requirements because they would dramatically increase prices at the pump.

EPA has publicly announced plans to have a final rule on Tier 3 gasoline completed by the end of the year which would lower the sulfur content in gasoline from 30 parts per million (ppm) to 10 ppm. Secondly, EPA intends to make determinations as to which areas in the U.S. are in attainment or nonattainment. The determinations are slated to be released by May 31, 2012. EPA, in 2008, set the primary national ambient air quality standard for ozone at 0.075 part per million. The agency put the 2008 standard on hold while it reconsidered the rule with the goal of setting a more stringent standard. The Obama Administration stopped the reconsideration process in September 2011, and the agency now is implementing the 2008 standard.

PMAA supports the "Gasoline Regulations Act of 2012," and urges members of Congress to cosponsor the legislation.

OIL SPECULATION SPOT LIGHTS THE WEEK

While the President addressed the nation this week that he would have his administration target oil speculators, the Commodity Futures Trading Commission (CFTC) voted 4 -1 to approve an interim final rule to define a swap dealer and major swap participant (MSP) in commodity futures markets. This is a critical step in the right direction to reign in excessive oil speculators in the market.

The Dodd-Frank Act gave the CFTC the authority to oversee the \$700 trillion over-the-counter (OTC) market and to ensure that market participants such as airlines, farmers, oil and trucking companies that hedge price risk shouldn't be forced to post additional margin and be subject to position limits. Dodd-Frank targets the investment banks, hedge funds, and index funds that never intend to take delivery of the product, thus it will subject them to additional reporting, margin/capital requirements and aggregate position limits to ensure that too much speculation doesn't impact physical prices. While speculators do provide liquidity in the market to facilitate trades, too much liquidity can bring extreme volatility to physical commodities which ultimately is shown at the rack.

The interim final rule targets investment banks that speculate in the oil futures market, but it comes with a "de minimis" exemption of eight billion dollars. If an investment bank is under this threshold, they will not be subject to margin/capital requirements. PMAA believes that the exemption is too high given that the CFTC first proposed the exemption at \$100 million. The investment banks argued that the \$100 million exemption was too low and could limit liquidity in the futures market. However, the interim final rule provides for the eight billion dollars amount to fall to three billion dollars in five years or even sooner. The CFTC says that it will conduct a study of the OTC market and, if after 30 months a change is needed, then the amount will be lowered. PMAA will continue to pursue oversight and prudent regulations on swaps dealers and MSPs to ensure that jobbers and retailers are paying a fair price that reflects supply and demand fundamentals.

Meanwhile, PMAA and NEFI submitted comments regarding the "Volker rule" which would limit investment banks' ability to use its customer funds to speculate in commodities markets. To read the joint PMAA-NEFI letter, go to: http://pmaa.org/pdfs/Comment_Letter_VolckerRule_FINAL.pdf

As mentioned, the President addressed the nation earlier in the week to have his administration target speculation in the oil futures market. PMAA supports some of the President's proposal that seeks to bring oil prices down in the short-term. Primarily, the proposal would provide \$52 million for CFTC to crack down on excess speculation. However, the President's proposal will not be enacted. In fact, the House attempted to pass legislation this week to implement the proposal but was shot down by pro Wall Street lawmakers. Furthermore, much more needs to be done including the expeditious approval of the Keystone XL pipeline.

Republican Presidential front-runner, Mitt Romney, dismissed the President's statement and said that speculators don't cause higher oil prices. It's unfortunate that excessive oil speculation has become so partisan in recent months. In 2008, 214 Democrats and 69 Republicans voted overwhelming to pass the "Commodity Markets Transparency and Accountability Act of 2008" (H.R. 6604) to bring position limits and transparency to the OTC market.

JOINT INDUSTRY COMMUNICATION ON LUST FUND

In addition to the strong grassroots communications PMAA initiated late February, on Wednesday PMAA, NACS, and SIGMA sent a joint letter to the House and Senate leadership in opposition to the Senate Highway bill language that would not only rob the LUST Trust Fund of three billion dollars and move it to the Highway Trust Fund, it would also change the allocation of the .001 of a penny LUST tax. The change would permanently dedicate one third of the existing \$.001 LUST tax to the Highway Trust Fund and two thirds to the LUST Trust Fund.

PMAA opposes this change and believes this is bad public policy. If the money is not being used for the LUST program, the LUST tax should be reduced or eliminated

IT'S TIME TO REGISTER 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 16-18. 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 members of Congress and to find solutions together.

The meeting will begin with a welcome reception including a PAC silent auction on the evening of May 16. On the morning of May 17, marketers will head to Capitol Hill for visits with their Congressional delegations. The PMAA Board of Directors will meet on May 18.

For those planning to attend this informative conference, please be sure to complete the appropriate Registration Form soon! Forms and instructions can be found at <http://www.pmaa.org/pmaameetings/upcomingmeetings.asp>.

For complete Conference Schedule go to:

<http://www.pmaa.org/userfiles/file/Washington%20Conference/2012/Conference%20Schedule.pdf>

For Hotel Information go to:

[http://www.pmaa.org/userfiles/file/Washington%20Conference/2012/Hotel%20Information%201\(1\).](http://www.pmaa.org/userfiles/file/Washington%20Conference/2012/Hotel%20Information%201(1).)

Please contact Susan Isard at 703.351.8000 with any additional questions.

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

May 10-11, 2012– Nevada - NPM&CSA Big Dogs Event – Las Vegas, Nevada

June 5-7, 2012 – Montana - MPMCSA Convention – Billings Hotel and Convention Center – Billings, Montana

June 18-21, 2012 – Washington - WOMA Convention – Suncadia Lodge – Cle Elum, Washington

June 19, 2012 – Idaho-IPM&CSA 1:30 pm Annual DEQ/UST Compliance and Informational Meeting with DEQ staff at DEQ

June 21, 2012 – Utah - UPMRA Summer Golf Classic – Stonebridge Golf Course – West Valley City, UT

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 (tentative), Midway, UT

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

Petro Pete: “***Apparently dyslexia is not a good excuse for driving 53 mph in a 35 mph zone.***”

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