WPMA
News and Information for the Petroleum Marketers Industry
weekly update

June 10, 2022 Visit us online at **www.wpma.com** WP-06-10-22

EPA PROPOSES NEW REQUIREMENTS FOR SPECIFICATION CARGO TANKS, BULK TANKS AND LOADING RACKS IN GASOLINE SERVICE

The EPA recently issued a proposed rule addressing National Emission Standards for Hazardous Air Pollutants (NESHAP) for Gasoline Distribution facilities that effect gasoline bulk plants, loading racks and cargo tank vehicles. Storing, loading and unloading gasoline at these facilities release hazardous air pollutants (HAPs) regulated under the Clean Air Act according to the Biden Administration. EPA establishes emission standards and control technology to reduce HAPs from gasoline bulk plant equipment.

The proposed rule is important for energy marketers operating gasoline bulk facilities with a maximum daily design capacity of less than 20,000 gallons per day. The proposed rule would impose new compliance requirements for these facilities to reduce VOC emissions from loading racks, cargo tank vehicles, facility equipment and above ground storage tanks in gasoline service. The rule also contains new compliance requirements for bulk facilities with a daily gasoline throughput of 20,000 gallons or more but are not included in this article.

Vapor Balancing Equipment

Under current EPA regulations, gasoline bulk plants with a maximum daily design capacity of less than 20,000 gallons per day are only required to use submerged filling to capture VOC emissions. Gasoline storage tanks installed on or before November 9, 2006 must have a fill tub with a height no more than 12 inches from the bottom of the tank. Submerged fill pipes installed after November 9, 2006 must be no more than 6 inches from the bottom of the tank.

EPA's proposed rule would require vapor balancing equipment at all gasoline bulk plants with a maximum design throughput capacity of 4,000 gallons per day or more. Gasoline bulk plants with maximum daily throughput capacity below 4,000 gallons per day would retain the requirement to use submerge fill tubes.

Cargo Tank Vehicles

Currently, EPA requires cargo tank vehicles in gasoline service to undergo EPA Method 27 tank tightness tests. The EPA Method 27 standard for cargo tank vapor tightness certification allows no more than 3 inches of water pressure drop within the tank shell measured over a five-minute period.

EPA's proposed rule would require a graduated vapor tightness certification standard ranging between 0.5 to 1.25 inches of water pressure drop over a five-minute depending on the cargo tank compartment size. According to the EPA, model year 2004 and newer specification cargo tanks are designed to certify to the 0.5 to 1.25 inches water pressure drop standard. As a result, retrofits should not be required on these models in order to meet the proposed tank tightness standard.

AST Equipment Monitoring

Under current EPA regulations, initial leak detection for gasoline bulk plant equipment must be done using EPA Method 21 followed by monthly audio, visual and olfactory inspections. The EPA requires any detected leaks be repaired no later than 15 calendar days after discovery. Regulated equipment includes all valves, pumps, pressure relief devices, sampling connection systems, open-ended valves or lines, and flanges or other connector in the gasoline liquid transfer and vapor collection systems.

The EPA is proposing to require annual instrument monitoring of all equipment combined with a requirement to repair any leaks identified by audio, visual or olfactory methods during the course of regular business activities.

The EPA is soliciting comments on the proposed changes to NESHAP, including proposals for more stringent requirements. EMA will submit comments on the EPA proposals. EMA welcomes comments from members on the impact the proposed rule would have on gasoline bulk plants.

EMA URGES CONGRESS TO EXTEND BIODIESEL/ADVANCED BIOFUELS TAX CREDIT

Expresses Opposition to Additional Credit for Sustainable Aviation Fuel

Today, EMA sent a letter to House and Senate Leadership, urging Congress to act as expeditiously as possible on a multiyear extension of the biodiesel/advanced biofuels blender's tax credit that is set to expire at the end of 2022. Click here to read the letter. Extending the blender's tax credit and ensuring that the credit amount is at parity with other transportation fuels that compete for the same feedstock, such as sustainable aviation fuel (SAF), would provide certainty for thousands of motor fuel and heating fuel businesses who depend on the credit to lower fuel costs for consumers and reduce carbon emissions. Since the credit's inception, the market responded as Congress intended.

The letter also points out EMA's opposition for awarding favorable blender's tax credit treatment for sustainable aviation fuel (SAF) compared to on and off-road biodiesel and renewable diesel. Granting favorable treatment to SAF would disrupt and eventually eliminate the market for on and off-road biodiesel and renewable diesel by diverting limited feedstocks to SAF and lead to higher prices at the pump as well as home heating fuel prices.

EMA also notes that the heating "oil" industry has led the way on converting to a low carbon alternative fuel. For nearly two decades, the industry through the National Oilheat Research Alliance (NORA), has developed low-carbon liquid fuel (LCLF) made from cellulose on a commercial scale and advance heating technologies focusing on efficiency and zero net carbon. Through these efforts, the industry has been using five percent biodiesel for over a decade and is moving to higher blends. Dealers from Seattle to Boston are successfully selling and experimenting with 100 percent biodiesel.

In addition to biodiesel, the industry has been working closely with Biofine Development to introduce into the market a liquid fuel that is derived from cellulose (waste wood products, municipal solid waste, etc.), a net-negative carbon liquid fuel for use in the home heating fuels market, as it also generates specialty chemicals that would otherwise be produced by petrochemicals. This product has been tested successfully in both residential and commercial applications.

INSIDE THE BELTWAY UPDATE

This week, Senator Joe Manchin (D-WV) and Majority Leader Chuck Schumer (D-NY) indicated a renewed focus and progress with negotiations on a slimmed down reconciliation package. In recent weeks, Senator Manchin outlined a deal that would raise corporate and capital gains taxes, include some drug-pricing reforms, and would boost both clean energy and fossil fuels. Senator Manchin's main focus is on fighting inflation, meaning any package would be far smaller, and less expansive, than the previous Build Back Better plan which he effectively killed. Senate Democrats appear more optimistic and have indicated that the beginning of the August recess is a more realistic deadline. The rest of the Senate Democratic caucus would likely agree on any package negotiated between Senators Manchin, Schumer, and Kyrsten Sinema (D-AZ) going into the midterms. As a reminder, a reconciliation package only requires 50 votes. However, Democrats only have until September 30 to pass a reconciliation package, when the current budget resolution expires.

The Congressional calendar, however, remains daunting. Congress spent much of this week focused on gun control discussions and hearings on the January 6th attack on the Capitol. Negotiations continue over the China competition legislation, and Congress is also beginning to consider annual must-pass legislation, including the annual defense policy bill. Any reconciliation agreement would need to come together quickly in order to pass both chambers.

Senate Democrats are also planning to introduce legislation that would place a fee on certain imports produced by high-carbon industries. The measure – which is largely designed to target China -- would impose a border carbon adjustment starting in 2024 on imported products from energy intensive industries. This would include fossil fuels, refined petroleum, petrochemicals, fertilizer, hydrogen, adipic acid, cement, iron and steel, aluminum, glass, pulp and paper and ethanol. The levy would begin at $55 per ton and increase at 5 percent above inflation per year, and also apply to domestic products. The goal is to support domestic producers that face higher costs by following higher environmental standards. A potential carbon import tax still faces an uphill battle to be part of a reconciliation deal.

Some in Congress have indicated a greater desire to enact a national vehicle mileage fee to support the Highway Trust Fund. A pilot program to study such a fee was included in the Bipartisan Infrastructure Law. House Transportation and Infrastructure Committee Chairman Peter DeFazio (D-OR) said that "we need to look beyond the gas and diesel tax… to move forward in a sustainable way to fund [the Highway Trust Fund] and in my mind, it will be vehicle miles traveled." Chairman DeFazio said that he agreed with Congressional Republicans who criticize EV drivers for not paying the gas tax. Any change in policy will be determined by politics as well as results from the Department of Transportation pilot program.

Also, this week, President Joe Biden announced efforts to expand the deployment of solar technologies in the U.S. through use of the Defense Production Act (DPA), a Cold War-era law that facilitates greater federal involvement in promoting domestic industry. In addition to being used for certain solar products, the DPA will be used to expand manufacturing capabilities for heat pumps. President Biden also announced a relaxation of tariffs on certain solar products, which was praised by business groups but criticized from some labor unions. In addition, the Biden Administration also announced new steps to meet its goal to build out the first-ever national network of 500,000 electric vehicle chargers along America's highways and in communities, a key piece of the Bipartisan Infrastructure Law. Click here for the full fact sheet.

EMA URGES ACTION FOR MORE PETROLEUM PRODUCTION TO ALLEVIATE PRICES AT THE PUMP

This week, EMA urged the Biden Administration to implement a new five-year program for federal offshore leasing as soon as possible. Interior Secretary Deb Haaland said last month that the department will not have a new plan in place by the time the current program expires on June 30. "The failure to develop a 5-Year Program on time, coupled with other restrictive energy policies, is already having a dampening effect on investment in American energy," EMA said along with dozens of industry associations. Click here to read the letter to President Biden.

ANNUAL NATIONWIDE ROADSIDE INSPECTION TO FOCUS ON COMMERCIAL MOTOR VEHICLE BRAKES

Energy marketers operating cargo tank and transport motor vehicles should be prepared for a major upcoming nationwide roadside inspection blitz. The roadside enforcement and inspection sweep is organized by the Commercial Vehicle Safety Alliance (CVSA) and is scheduled to take place August 21 to August 27, 2022. CVSA is a group of federal, state and local commercial motor vehicle enforcement agencies. CVSA is preparing to put more than 10,000 inspectors at over 1,500 sites nationwide to conduct approximately 75,000 roadside inspections during Brake Safety Week. Inspectors will conduct their usual North American Standard Level I and V Inspections and capture and report brake-related data to CVSA. This year's focus will be on total vehicle and driver inspections, brake-related out-of-service violations and brake hose/tubing chafing violations.

According to CVSA, brake-related violations account for the largest percentage of all out-of-service vehicle violations cited during roadside inspections. During last year's three-day nationwide Roadcheck inspection event, brake systems and brake adjustment violations accounted for 38.9 percent of all vehicle out-of-service violations, the most of any category of vehicle violations.

During the brake portion of a vehicle inspection, inspectors will look for missing, nonfunctioning, loose, contaminated or cracked parts on the brake system, and nonmanufactured holes (such as rust and friction holes and broken springs) in the spring brake housing section of the parking brake.

Inspectors will also listen for audible air leaks around brake components and lines, and ensure the air system maintains air pressure between 90-100 psi. Inspectors will also check for S-cam flip-over and measure pushrod travel, and that slack adjusters are the same length from center of S-cam to center of clevis pin, and air chambers on each axle are the same size. In addition, inspections of required brake-system warning devices, such as ABS malfunction lamps and low air-pressure warning devices and bleed-back system on trailers.

EPA EXTENDS THE RVP WAIVER ALLOWING SALE OF E15 THROUGH JUNE 30, 2022

Yesterday, the EPA extended through June 10, 2022, the temporary emergency RVP waiver issued on May 1, 2022, allowing the nationwide sale of E15 during the summer driving season. The temporary waiver was set to expire on June 10, 2022. The temporary waiver is authorized under Clean Air Act sections during emergency fuel supply shortages (CAA§ 21 l(c)(4)(C)(ii)(I), 42 U.S.C. § 7454(c)(4)(C)(ii)(I)) and must be renewed every 20 days. The EPA cites the continuing "extreme and unusual" global fuel supply shortages caused by the war in Ukraine affecting all regions of the nation as justification for the waiver extension.

EMA has repeatedly warned both the EPA and the White House of the limitations involving the sale of E15 for the majority of retail gasoline stations across the nation. Those limitations include compatibility issues with existing UST system components, motorcycles, boats and small gasoline powered equipment and downstream supply chain disruptions. While the emergency waiver is only valid for a maximum 20 days, the EPA said it will issue waiver extensions "so long as the current fuel supply emergency continues."

According to the waiver, gasoline that does not meet the applicable RVP requirements may not be introduced into terminal storage tanks from which gasoline is dispensed into trucks for distribution to retail outlets in the designated states **after June 30, 2022**, unless EPA renews the waiver. However, any gasoline meeting the conditions of this waiver that is stored in terminal storage tanks for distribution to retail outlets and wholesale purchaser-consumers may be distributed and sold in subject areas in the designated states until the supply is depleted. Likewise, retailers and wholesale purchaser consumers in these areas may continue selling or dispensing gasoline that meets the conditions of this waiver after June 30, 2022, until supplies in their E15 storage tanks are depleted. **EMA expects temporary waiver extensions to be issued throughout the summer driving season which ends on September 15.**

The year-round sale of E15 is already allowed in reformulated gasoline (RFG) areas because RVP does not apply to RFG. Also, several states including Vermont, Maine, New York and Texas (select counties) have adopted regulations disallowing use of the one-pound RVP waiver for reasons other than control of vehicle emissions. The federal waiver may not apply in these states and further state action may be required. EMA will report additional waiver related developments as they occur.

EMA NFPA 30A EV CHARGING COMMENTS

The NFPA Standards Council voted in April not to issue the proposed Tentative Interim Amendment (TIA) which would have added requirements for Electric Vehicle (EV) charging stations at motor fuel dispensing facilities to the 2021 Edition of NFPA 30A (Code for Motor Fuel Dispensing Facilities and Repair Garages). NFPA 30A is currently in the midst of the 2024 revision cycle and has been accepting public input on similar requirements for the installation of EV chargers at motor fuel dispensing facilities. Prior to the closing of the public comment period this week, EMA submitted comments on the proposed EV charging requirements.

EMA's comments on the First Draft Report proposal are consistent with our comments on the TIA. They focus on four issues. First NFPA 30A should not establish setbacks or separation distance for property lines or buildings. This is not an issue unique to motor fueling facilities and inconsistent with common practices for locating EV chargers at other facilities.

Second NFPA should not establish separation distances from a transport while delivering to a storage tank. Separation distances proposed for the location of charging with respect to tank fills, vents and submerged pumps along with general requirements for vehicle maneuverability into and out of a charging space is sufficient. Third, specific design requirements for the installation of bollards and other impact protection for EV chargers is not needed and goes beyond what is currently stated for dispenser protection. Finally, combining the emergency shut-off for the EV charger with the shut-off for the dispensers may be technically difficult and possibly cost prohibitive. Such a requirement should not be included at this time. The NFPA 30A Technical Committee will be reviewing the public comments in the coming months.

IRS INCREASES BUSINESS MILEAGE DEDUCTION RATE FOR REMAINDER OF 2022

The Internal Revenue Service announced yesterday an increase in the optional standard mileage rate for the final 6 months of 2022. Taxpayers may use the optional standard mileage rates to calculate the deductible costs of operating a vehicle for business and other purposes.

For the final 6 months of 2022, the standard mileage rate for business travel will be **62.5 cents per mile**, up 4 cents from the 58.5 cents per mile rate effective at the start of the year. The new rate becomes effective July 1, 2022. The IRS provided legal guidance on the new rates in Announcement 2022-13. In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2022. The IRS normally updates the mileage rates once a year in the fall for the next calendar year. For travel from January 1 through June 30, 2022, taxpayers should use the rates set forth in Notice 2022-03.

While fuel costs are a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs. The optional business standard mileage rate is used to compute the deductible costs of operating a vehicle for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rate. Midyear increases in the optional mileage rates are rare. The last time the IRS made such an increase was in 2011.

WEEKEND READS:

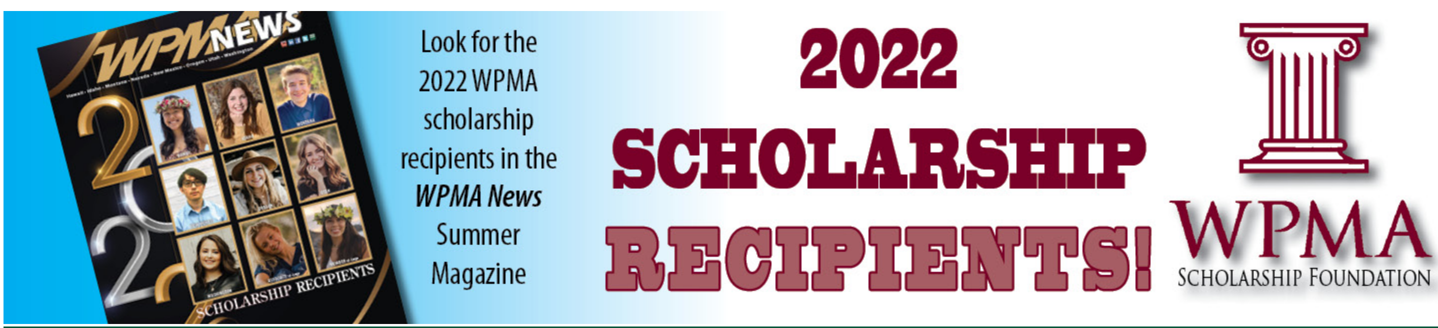
Though Ethanol Might Appear ‘Cheaper’ Than Gasoline, Let’s Do The Math On Energy Content (Subscription Required)

Jones Act Ships Competitive for US Fuel Exports as Freight Soars

Inflation takes a bite out of Biden's infrastructure ambitions

Despite high gas prices, US refiners strain to meet summer demand

Automakers back U.S. restoring California emissions authority



MARK YOUR CALENDARS FOR UPCOMING EVENTS

June 20-22, 2022 – Washington (WI/ED) Convention – Suncadia Resort – Cle Elum, WA
June 23, 2022 - Utah (UPMRA) Summer Golf Classic - Stonebridge GC - West Valley City, UT
June 30, 2022 – Idaho (IPM&CSA) Golf Tournament – Canyon Springs GC – Twin Falls, ID
July 17-19, 2022 – Oregon (OFA) Annual Convention – Sunriver Resort – Sunriver, OR
August 3-5, 2022 – Idaho (IPM&CSA) Convention – Coeur d’Alene Resort – Coeur d’Alene, ID
August 22-24, 2022 – New Mexico (NMPMA) Convention – Sandia Resort & Casino – Albuquerque, NM
September 14-16, 2022 – Utah (UPMRA) Convention – Sheraton Park City Hotel – Park City, UT
February 21-23, 2023 – WPMA Convention & Expo – Mirage Hotel– Las Vegas, NV

Be sure to subscribe to all of our social channels for great tips, industry trends, and insider information about association activities and upcoming events!

Petro Pete: "What happens if you get scared half to death twice?"