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2019 RFS RVOS JUST RELEASED

Today, the U.S. Environmental Protection Agency (EPA) finalized a rule that establishes the required renewable fuel volumes under the Renewable Fuel Standard (RFS) program for 2019, and biomass-based diesel for 2020.

“Issuing the annual renewable volume obligations rule on time is extremely important to all stakeholders impacted by the Renewable Fuel Standard program,” said EPA Acting Administrator Andrew Wheeler. “Unlike the previous administration, the Trump Administration has consistently met the deadline on time and fulfilled our commitment to provide stability to the program and greater certainty to farming and refining communities across the country.”

The key elements of today’s rule are as follows:

- “Conventional” renewable fuel volumes, primarily met by corn ethanol, will be maintained at the implied 15-billion gallon target set by Congress for 2019.
- Advanced biofuel volumes for 2019 will increase by 630 million gallons over the 2018 standard.
- Cellulosic biofuel volumes for 2019 will increase by almost 130 million gallons over the 2018 standard.
- Biomass-based diesel volumes for 2020 will increase by 330 million gallons over the standard for 2019.

PMAA will provide more detail in future reports.

HOUSE INTRODUCES TAX EXTENDERS PACKAGE

This week, the House introduced its tax extenders package in which it aims to reconcile the bill with the Senate before the end of the year. One tax provision important to petroleum marketers is a retroactive renewal and gradual phase down of the \$1 per gallon biodiesel blenders tax credit through 2024. Specifically, it would keep the credit at its current rate of \$1 per gallon for 2018 through 2021 but gradually reduce it to 75 cents in 2022, 50 cents in 2023, 33 cents per gallon in 2024 and then allow it to expire. Credits of importance that would be extended **retroactively for 2018** only are the tax credit for the installation of qualified alternative fuel vehicle refueling property in a home or business; the Alternative Fuels Excise Tax Credit for the use of propane as a transportation fuel, known as the “propane autogas tax credit”; and the Section 25C tax credit for the installation of qualified high-efficiency residential HVAC systems and certain energy-saving home retrofits.

Additionally, the tax extenders package includes a renewal of the Oil Spill Liability Tax (OSLT) **through December 31, 2019**. The 9 cents per barrel OSLT tax is imposed on crude oil at the refinery gate. Proceeds from the OSLT go into a trust fund used by the Coast Guard to pay for clean-up after accidents like oil spills. PMAA is concerned that if Congress fails to act on tax extenders before the end of the year, jobbers may end up in the same situation they faced in early 2018 when some refiners continued to charge the tax even though it expired. This created unnecessary and problematic accounting problems throughout the industry. Congress can prevent the confusion from occurring again by extending the OSLT before December 31st. If Congress does not tackle extenders before December 31st but addresses it next year, PMAA urges Congress not to make the tax retroactive. Click [here](#) to read the letter and click [here](#) for a refresher on the OSLT.

Finally, the tax extenders language includes a technical fix to the Section 168 of the “Tax Cuts and Jobs Act” so that businesses can receive the 100 percent bonus depreciation benefit that Congress intended to provide in the law.

Unfortunately, however, House Republicans decided today to delay the vote on the tax extenders package until there are enough votes to pass the package. It is possible that Republicans could bring up the package for a vote next week if they have the votes and it’s also possible that the package could end up getting attached to must-pass legislation at the end of the year.

RFS REFORM DISCUSSION DRAFT CALLS FOR HIGHER OCTANE FUEL

Right before the Thanksgiving holiday, Reps. John Shimkus (R-IL) and Bill Flores (R-TX) introduced draft legislation to revamp the RFS by moving towards a fuel performance standard to reduce emissions and preserve the liquid fuels industry. The draft bill known as the “21st Century Transportation Fuels Act,” would nix the 15-billion-gallon corn ethanol mandate in 2022 and transition to a national octane standard. In other words, the legislation would swap out a government mandate for a performance standard that autos, refiners and petroleum marketers would need to meet.

The draft legislation aims to encourage the production of high compression engines (HCEs) warrantied up to E20 and refiners to produce higher octane fuels known as 95 research octane number (RON) that would be compatible with these new engines. 95 RON is similar to today’s premium fuel that would lower emissions and preserve the liquid fuels

distribution network. Although PMAA is concerned that implementing a higher-octane fuel may be used as an excuse to mandate E15 or higher ethanol blends, moving towards a performance standard versus a government-imposed mandate may have its benefits. 95 RON can be produced with an E0 blend, but given ethanol's octane boost, E10 would likely be used to meet the 95 RON standard.

The good news is that the discussion draft does provide legal liability protection for retailers and automakers from higher ethanol blends. The bill would also extend the 1-pound waiver for E10 plus blends and would prevent states from prohibiting or requiring any particular blend/concentration of ethanol in fuel. For 2023 through 2032, the EPA would be required to set RFS renewable volume obligations (RVOs) for advanced biofuel, cellulosic biofuels and biomass diesel at levels equal to the volume of fuels produced during the previous calendar year. The mandate for these specific fuels would be repealed in 2033.

PMAA applauds Reps. Shimkus and Flores' work on trying to find common ground between the corn, refining and marketing interests. While this legislation may be a mixed bag for petroleum marketers, keep in mind that current law puts the responsibility of the RFS in the hands of the EPA to set yearly RVOs following 2022. Therefore, this bill is the first step that serves as a blueprint for future legislation where all parties must give something up to preserve the liquid fuels industry. PMAA will continue to monitor the latest.

KEY SENATORS AGREE THEY WILL WORK TOGETHER TO PASS AN INFRASTRUCTURE PACKAGE

On Wednesday, the Senate Environment and Public Works (EPW) Committee held a hearing on "Addressing America's Surface Transportation Infrastructure Needs." Witnesses before the hearing were: Carlos Braceras, president of the American Association of State Highway and Transportation Officials and executive director of the Utah Department of Transportation; Robert Lanham, vice president of the Associated General Contractors of America; and James Corless, executive director of the Sacramento Area Council of Governments. The focus of the hearing was on financing, and overall, witnesses called for a gasoline tax increase that keeps up with inflation. The witnesses also argued that the federal government should press states to create road usage-based fee systems, with some also calling for commercialization of rest stops, which PMAA will continue to strongly oppose.

During the hearing, EPW Committee Chairman John Barrasso (R-WY) said that, "New funding is needed to keep pace with demands, and burdensome federal regulations have slowed efforts to spend money efficiently. "The time has come to cut red tape and to make significant investments in our roads and bridges -- investments necessary to keep the Highway Trust Fund solvent." Further, that using the existing highway and transit formula program approach to distribution would ensure both rural and urban states participate in the initiative.

Also, this week, Roger Wicker (R-MS), the incoming Senate Commerce Committee Chairman, said that he would consider raising the federal gas tax if President Trump endorses the increase. Wicker is waiting for the President to announce the funding direction that he'd like to see for the infrastructure package. The President is expected to make an announcement soon.

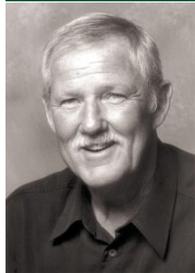
SENATE SUBCOMMITTEE HOLDS HEARING ON ENERGY LEGISLATION

Yesterday, the Senate Committee on Energy and Natural Resources Subcommittee on Energy held a hearing to markup fourteen different energy-related bills. Witnesses included Rep. Joe Barton (R-TX) and Under Secretary of the U.S. Department of Energy, Mike Menezes.

Two bills that were discussed that are of importance to petroleum marketers are S. 3618, the "Strategic Petroleum Reserve Reform Act" that was introduced by Sen. Bill Cassidy (R-LA) and S. 3495, the "LNG Permitting Certainty and Transparency Act" that was introduced by Sen. John Barrasso (R-WY). The "Strategic Petroleum Reserve Reform Act" would authorize a pilot program leasing out unutilized portions of the Strategic Petroleum Reserve (SPR) to private entities. Under current policy, the DOE may only lease those facilities to foreign governments. Similar legislation was introduced by Rep. Barton in the House and passed in September. In his testimony, Congressman Barton advocated for the bill saying that the bill would be "a good thing for the private sector to utilize the unused space and it would be a good thing for the people of the United States because the money that would be obtained from leasing could be used to update and modernize the SPR." However, in his testimony, Undersecretary Menezes said that "leasing to foreign governments for strategic purposes is in line with the current designed and authorized use of the SPR and would be the preferred use of excess storage capacity."

The second bill of importance to petroleum marketers, the "LNG Permitting Certainty and Transparency Act," would speed decisions by the Department of Energy (DOE) on liquefied natural gas (LNG) export applications. In his testimony, Undersecretary Menezes stated that "DOE is committed to making decisions on natural gas export applications to all non-free trade agreement (FTA) countries expeditiously once the agency has all of the information necessary to make the required public interest determination."

PASSING OF JERRY HERBST, NEVADA



WPMA and the Nevada Petroleum Marketers and Convenience Store Association are saddened to announce the passing of Jerry Herbst, founder and chairman of the Terrible Herbst gas station chain throughout Nevada. Jerry passed on Tuesday, November 27th in his home, at the age of 80.

"Jerry was a pioneer in petroleum marketing in Nevada for more than 60 years," said NPM&CSA President Jeremy Bautista. Jerry founded Terrible Herbst in 1959, and helped his family grow the Terrible Herbst company into 160-plus convenience stores, car washes and lube locations throughout Southern Nevada. Just this summer, the company opened Terrible's Road House in Jean, Nevada, with a 50,000-square-foot convenience store and the world's largest Chevron with 96 pumps, that now stands as a capstone to Jerry's remarkable career.

Herbst's interests branched into more than fueling, for he also had businesses in gaming, and was considered the patriarch of the "first family of desert racing." A pioneer in the sport of desert racing, Jerry was inducted into both the Off-Road Motorsports Hall of Fame and the Southern Nevada Sports Hall of Fame. "Jerry was much more than a fuel guy, Nevada has lost an iconic businessman with a passion for all things Nevada. We will miss him," said Peter Krueger, lobbyist for the fuel association.

Memorial arrangements for Jerry are pending.

PLAN TO ATTEND THE 2019 WPMAEXPO

WPMAEXPO

Mark your calendars for February 19-21, 2019. Make plans now to attend the 2019 WPMAEXPO. It will be held once again at the Mirage in Las Vegas, Nevada.

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MARK YOUR CALENDARS FOR UPCOMING EVENTS

February 19-21, 2019 – WPMA Convention & Expo – Mirage Hotel– Las Vegas, NV

May 2-3, 2019 – Nevada (NPM&CSA) – Big Dogs – Las Vegas, NV

June 4-6, 2019 – Montana (MPMCSA) Convention – Fairmont Hot Springs Resort – Fairmont, MT

June 20, 2019 – Utah (UPMRA) Summer Golf Classic - South Mountain Golf Course, Draper, UT

June 17-20, 2019 – Washington (WOMA) Convention – Suncadia Resort, Cle Elum, WA

August 5-7, 2019 – Idaho (IPM&CSA) Convention – Sun Valley Resort, Sun Valley, ID

August 19-21, 2019 – New Mexico (NMPMA) Convention – Sandia Resort & Casino, Albuquerque, NM

September 11-13, 2019 – Utah (UPMRA) – Convention – Zermatt Resort, Midway, UT

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Petro Pete: *"I find a duck's opinion of me is very much influenced by whether or not I have bread."*

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