WPMA

News and Information for the Petroleum Marketers Industry

weekly update

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EPA RELEASES FINAL MULTI-YEAR RFS BLENDING VOLUMES

Monday, November 30, 2015 – Today, the EPA issued a final rule which sets the Renewable Fuel Standard (RFS) blending mandates for years 2014, 2015 and 2016. The RFS is important to petroleum marketers because it ultimately determines whether E15 gasoline is mandated to meet annual refiner blending mandates. The existing RFS ethanol blending mandates have already pushed E10 blends into virtually every gasoline market in the country. Any significant increase in the ethanol blending standard will force refiners to move to E15 blends unless gasoline demand rises to offset new blending mandates. The EPA was under court order to finalize the multiple year standards no later than today. That order is based on a court approved agreement between the EPA and refiners designed to get the long overdue standards back on schedule.

Below are the final blending volumes for 2014-2017

Final Renewable Fuel Volumes	**2014**	**2015**	**2016**	**2017**
Corn Ethanol (billion gallons)	13.61	14.05	14.5	n/a
Cellulosic biofuel (million gallons)	33	123	230	n/a
Biomass-based diesel (billion gallons)	1.63	1.73	1.90	2.00
Advanced biofuel (billion gallons)	2.67	2.88	3.61	n/a
Total Renewable fuel (billion gallons)	16.28	16.93	18.11	n/a

The new biofuels blending volumes for 2014, 2015 and 2016 are not expected to require the introduction of E15 gasoline. PMAA is opposed to volumetric ethanol blending mandates for gasoline that would require the introduction of E15 until all practical and legal UST compatibility issues are settled for petroleum marketers. PMAA advocated this position to the EPA via written comments and public testimony. PMAA also recently met with the White House Office of Management and Budget to express the industry's concern over a possible E15 mandate should ethanol blending levels be set too high in this round of annual renewable fuel blending requirements.

Sixty percent of the gasoline stations are single-store owned and the average cost to retrofit a gasoline station with E15 compatible equipment is $200,000 which would increase pump prices and force many retailers, especially in rural areas, to close. Additionally, lucrative RIN values WILL NOT lure retailers into compatible infrastructure investments to sell higher level ethanol blends. Most retailers do not have the ability to participate in the RINs market since nearly 95 percent of all gasoline that passes over the terminal rack is already pre-blended with ethanol and no longer generates RINS. This leaves retailers with few viable options to invest in upgraded infrastructure.

The Agency has been under intense political pressure from both the refiners and renewable fuels industry over whether an E15 gasoline mandate is a viable remedy to overcome the RFS blend wall. EPA's acknowledgement that there are constraints in the motor fuels market to accommodate increasing volumes of ethanol including concerns related to retail infrastructure compatibility was justification to lower the ethanol mandate compared to the statutory levels set by Congress in 2007.

Meanwhile, EPA requires 1.9 billion gallons of biodiesel for 2016 and 2 billion gallons for 2017. PMAA has no concerns over the biodiesel mandate because it supports BioHeat®, which at a 12 percent blend coupled with ultra-low sulfur heating oil (ULSHO), is cleaner than natural gas.

CONGRESS PASSES 5-YEAR, $305 BILLION HIGHWAY BILL

This week, the House and Senate overwhelmingly passed a bipartisan five-year highway bill known as the Fixing America's Surface Transportation (FAST) Act. The President has indicated he will sign the legislation. Congress has not been able to pass a long term highway bill in nearly a decade, making this a significant first victory for the new Speaker of the House, Paul Ryan (R-WI). In addition to setting funding levels for highways, transit, passenger rail and bridge programs, the FAST Act revives the expired Export-Import Bank. The legislation doesn't include a gas tax increase.

The highway bill contains many provisions that are important to marketers. The provisions are outlined below:

Withdraws PHMSA's Wetlines Proposed Mandate for Good

On January 27, 2011, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a proposed rule regarding the transportation of gasoline in the external product piping (wetlines) on cargo tanks transporting flammable liquids. The proposed rule limited the amount of gasoline in each wetline to one liter. Transports usually have four wetlines

– one per compartment. The proposed rule gave tank truck operators 12 years to retrofit existing tanks with bottom protection like steel rails or install purging equipment, and any trailer manufactured two years after the date of regulation would have to be equipped with in line purging devices or steel guard rails to shield the wetlines from impact.

PMAA led efforts to oppose the proposed rule and we are pleased the bill withdraws the 2011 wetlines proposed mandate. In the 2012 Highway Bill, PMAA saved marketers a minimum of $8,000 per transport by asking Congress to include a provision which prevented DOT from arbitrarily adopting a wetlines mandate until a Government Accountability Office (GAO) report was completed. In September 2013, the GAO cited that DOT did not have adequate information to determine whether a wetlines device mandate was necessary to improve safety. The Highway bill puts an end to the 2011 wetlines mandate permanently.

Safety Data Postings/FMCSA's Compliance, Safety, Accountability Program (CSA)
In a significant step forward for petroleum marketers, the highway bill requires DOT to commission a study on the accuracy of the CSA program and take steps to address problems in identifying risk and the use of crash data where a motor carrier was free from fault. Until the study and corrections are complete FMSCA would have to take down its safety scores for trucks and motor carriers.

Earlier this year, the Government Accountability Office (GAO) issued a critical report on the quality of the safety data used by the DOT to determine motor carrier safety. The GAO found that the safety data collected is not a reliable predictor of motor carrier safety. The CSA program uses data from enforcement activity, roadside inspections and accidents involving commercial motor vehicles to set individual motor carrier safety scores, which in turn are used to establish a predictive crash risk. Motor carriers with a predictive crash risk over a certain threshold are targeted for FMCSA intervention. Intervention begins with an initial warning letter followed by closer FMCSA oversight including targeted roadside enforcement and investigative safety audits. Carriers with the poorest safety ratings can be ordered out of service by FMCSA. The GAO report criticized the CSA data saying that of the 800 violations included in the motor carrier risk model, only two - speeding and failure to wear a seat belt, were reliable predictors of crashes. In addition, the CSA model was criticized for not including a sufficient amount of data on all carriers to establish a baseline risk for crashes. As a result, many motor carriers with no history of crashes have received a high predictive crash rate.

Financial Insurance Minimums
In another win for PMAA, the bill requires the Federal Motor Carrier Safety Administration (FMCSA) to conduct a comprehensive study of passenger carrier industries' accidents and claims histories before being permitted to proceed to radically increase minimum insurance rates.

PMAA 2ND VICE CHAIR'S OP-ED ON KEYSTONE XL PUBLISHED
Recently, a Nebraska newspaper published an op-ed by PMAA Second Vice Chairman Mark Whitehead (President of Whitehead Oil Co., Lincoln, NE) who expresses the view of many within PMAA regarding President Obama's energy policy. We think you will appreciate Whitehead's comments. Click here to read the op-ed.

SENATE PASSES BILL TO REPEAL MUCH OF OBAMACARE
Last night, under the budget reconciliation package, the Senate voted 52-47 by a simple majority to repeal large portions of Obamacare. The bill is a symbolic victory for Republicans, as it is the first time they have been able to accomplish this after five years of failed attempts. The Senate bill repeals the employer mandate penalty and repeals the authority for healthcare exchanges. The Senate bill will now head to the House for passage which only requires a simple majority. The House has already passed its bill which repeals certain provisions in Obamacare including the individual and employer mandates, the medical device tax, and the "Cadillac" tax, which is an excise tax on expensive healthcare plans provided by employers to their employees. The vote comes at a time when some plans sold via Obamacare insurance exchanges have been struggling with weak enrollment, higher-than-expected medical costs and increased premiums.

The legislation will certainly face a veto from President Obama, his signature law. Therefore, it would force the Senate to come up with 67 votes and 290 votes would be required in the House, a highly unlikely outcome.

PMAA strongly supports the legislation.

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February 16 – 18, 2016 - WPMA Convention & Expo – Mirage Hotel, Las Vegas, Nevada
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June 7-9, 2016 – Montana (MPMCSA) Convention – Fairmont Hot Springs Resort – Butte, Montana
June 20-23, 2016 - Washington (WOMA) Convention - Suncadia Resort - Cle Elum, Washington
August 3 – 5, 2016 - Idaho (IPM&CSA) Convention - Coeur d'Alene Resort - Coeur d'Alene, Idaho
August 22-24, 2016 – New Mexico (NMPMA) Convention – Sandia Resort & Casino – Albuquerque, New Mexico
September 14-16, 2016 - Utah (UPMRA) Convention - DoubleTree Hotel by Hilton - Park City, Utah
June 18-22, 2017 – Washington (WOMA) Convention – Suncadia Resort – Cle Elum, Washington
June 17-21, 2018 – Washington (WOMA) Convention – Suncadia Resort – Cle Elum, Washington

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