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EPA RELEASES 2019 RFS RVOS

As was reported last week, the Environmental Protection Agency (EPA) released the 2019 renewable fuel blending volume obligations (RVOs) as required by the Renewable Fuel Standard (RFS) program. The EPA increased the total renewable fuel volume by 590 million gallons from 19.29 billion gallons in 2018 to 19.88 billion gallons for 2019. However, the corn ethanol renewable volume remained at 15 billion gallons, the same level set as the past two years and the statutory maximum established by Congress. Moreover, against the wishes of the renewable fuel industry, the final RFS rule does not contain a provision to reallocate the 2.25 billion gallons of corn ethanol waived under the small refinery exemptions to the 2019 renewable volumes. The renewable fuel industry argued that the agency should reset the ethanol RVO for 2019 so that waived gallons would not be "lost."

The EPA is raising the RVO for cellulosic biofuel by 130 million gallons from 288 million gallons in 2018 to 418 million gallons in 2019. Advanced biofuels increased by over 630 million gallons from 4.29 billion gallons in 2018 to 4.92 billion gallons in 2019. The EPA also set the 2020 renewable fuel volume for biomass-based diesel at 2.43 billion gallons, up 330 million gallons when compared with the 2018 RVO.

Expressed as a volume percentage of fuel, the breakdown is as follows: Cellulosic biofuel; 0.230 percent, biomass-based diesel; 1.73 percent, advanced biofuel; 2.71 percent, renewable fuel 10.97 percent. The amount of renewable fuel (ethanol) over a 10 percent volume is offset by obligated parties through the purchase of RIN credits rather than moving to E15. The percentage standards represent the ratio of the national applicable volume of renewable fuel volume to the national projected non-renewable gasoline and diesel volume less any gasoline and diesel attributable to small refineries granted an exemption prior to the date the standards are set.

PRESIDENT TRUMP CONSIDERING ENDING ALL SUBSIDIES FOR ELECTRIC VEHICLES

This week, Larry Kudlow, director of the White House National Economic Council and President Trump's top economic adviser, told reporters that the Trump Administration wants to end subsidies for electric vehicles (EVs) and other items, including renewable energy sources. Kudlow said the EV subsidies "will all end in the near future," saying that it will probably happen in 2020 or 2021. Currently, consumers who buy plug-in EVs are eligible for a \$7,500 federal tax credit, which begins to phase out for each manufacturer after selling 200,000 eligible vehicles.

Last week, in response to General Motors' announcement that the company will begin closing plants which would cut thousands of jobs, President Trump indicated that he would be cutting subsidies for the company. Kudlow told reporters that President Trump was referring to the \$7,500 consumer tax credit for EVs. However, Kudlow said that President Trump cannot legally target one company like GM and must target the entire EV industry. Kudlow didn't provide details on what the White House would do to eliminate or change the EV tax credits, which would require an act of Congress. He also indicated that the Trump Administration wants to "end all those subsidies" started under the Obama Administration, including those for renewables.

In November, PMAA joined AFPM, NACS, SIGMA, and API in a letter to Congress to oppose including an extension of the lucrative \$7,500 electric vehicle (EV) tax credit in the tax extenders package that Congress may address before the end of this year. The EV Drive Coalition, which includes General Motors, Nissan, Tesla and other automakers, is pushing Congress to extend the credit and lift the cap which phases out on a per manufacturer basis once that company has sold 200,000 EVs total for use in the United States. According to Tesla, it reached the 200,000 threshold this summer and GM is expected to meet the number by the end of the year. If the cap isn't lifted for these companies, their competitors may be able to capture additional market share while the credit won't be available for Tesla and GM customers.

The Senate GOP seems split on the issue as competing bills have been introduced. Senator Dean Heller (R-NV) introduced legislation that would lift the 200,000 EV cap and extend the credit through 2022 while Senator John Barrasso (R-WY), chairman of the Senate Committee on Environment and Public Works (EPW), introduced the "Fairness for Every Driver Act," which would repeal the EV tax credit. Senate Democrats introduced their own bill (S. 3449), the Electric Cars Act of 2018, which would extend the EV tax credit for 10 years.

MENU LABELING ONLINE COURSE AND INFORMATION TO HELP COMPLY WITH LABELING REQUIREMENTS

During this first year of implementation, the FDA is working with covered establishments to achieve high levels of compliance with the menu labeling requirements that went into effect May 7, 2018. The FDA has made available an online education module to help industry, regulators, and consumers understand the regulations. This online module describes what types of establishments and types of foods are covered by the menu labeling regulations and how to comply with the regulations. The FDA has also published industry fact sheets on labeling and declaring calories.

The menu labeling requirements apply to restaurants and similar retail food establishments that are part of a chain with 20 or more locations. In addition, they must be doing business under the same name and offering for sale substantially the same menu items.

GOVERNMENT FUNDING EXTENDED TWO-WEEKS

Yesterday, the House and the Senate passed (without dissent) a two-week spending bill and delayed final spending resolutions through December 22. The President will sign the bill before the government shutdown deadline of midnight tonight.

President Trump, Senate Minority Leader Chuck Schumer (D-NY), and House Minority Leader Nancy Pelosi (D-CA) had planned to meet on December 4 but that meeting was postponed due to the former President George H.W. Bush memorial services. Now they plan to meet on Tuesday to attempt to come to final agreement on the seven-bill spending package. Senate Minority Leader Schumer says his party will provide no more than \$1.6 billion for "border security" but the President wants \$5 billion for parts of a concrete wall on the southern border.

Most of the \$1.2 trillion discretionary budget has been appropriated already by Congress for this fiscal year. The seven departments that are part of the spending package are the departments of State, Interior, Agriculture, Commerce, Justice, Treasury and Homeland Security.

Also remaining to be finalized is the tax extenders package that holds provisions of importance to petroleum marketers. In particular, 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.

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.

HERE WE GO AGAIN: STATE DEPARTMENT TO PREPARE A NEW REVIEW OF THE KEYSTONE XL PIPELINE

This week, the U.S. State Department announced it will begin preparing a new environmental impact review for the Keystone XL Pipeline.

Last month, a federal district court judge blocked the controversial Keystone XL oil pipeline arguing that the State Department did not properly account for factors such as low oil prices, CO2 emissions and the risk of oil spills. President Trump immediately slammed the ruling calling it a "disgrace" and a "political decision" and hinted that the conservative-controlled Supreme Court may have the final say on the controversial international oil pipeline.

Over the summer, the State Department found in its draft environmental assessment that the Keystone pipeline's alternate route would have no significant environmental impacts. The pipeline would carry 830,000 barrels of crude a day from Alberta's oil sands to U.S. Gulf Coast refiners.

Specifically, the alternate route that Nebraska regulators approved for the line was found to have minor to moderate effects regarding noise and vibration, water resources and biological resources. It would have minor effects on soils, air quality and cultural resources, and negligible impacts on land use, recreation and visual resources.

PMAA strongly supports development of the Keystone XL Pipeline which has already had more than ten years of debate and multiple environmental impact studies that have shown the pipeline would have no effect on climate change.

116TH CONGRESS COMMITTEE LEADERSHIP POSITIONS

Current Minority Leader Nancy Pelosi (D-CA) is expected to become Speaker of the House after fending off an attempt by progressive Democrats to keep her from taking the position. However, the full House will vote to elect the new Speaker of the House during the first week in January. Rep. Kevin McCarthy (R-CA) was recently elected by Republicans to be House

Minority Leader.

As for House committee leadership of particular importance to petroleum marketers, the House Energy and Commerce Committee will likely be chaired by Rep. Frank Pallone (D-NJ), the House Transportation and Infrastructure Committee will likely be chaired by Rep. Peter DeFazio (D-OR) and the House Ways and Means Committee will likely be chaired by Rep. Richard Neal (D-MA). PMAA and the state associations have good relations with most of these members.

In the Senate, Republicans re-elected Mitch McConnell (R-KY) as Majority Leader. Sen. John Cornyn (R-TX), who had to step aside as Majority Whip because of party-imposed term limits on leadership positions, was replaced by John Thune (R-SD), who moved up from the position of Republican Conference Chair. As for Senate Democrats, Chuck Schumer (D-NY) and Dick Durbin (D-IL) retained the top two Democratic positions.

REP. DEFAZIO PLANS TO PROPOSE A NATIONAL VMT PILOT

On Wednesday, Rep. Peter DeFazio (D-OR), who will likely become chairman of the House Transportation and Infrastructure Committee next year, spoke at an event saying that Democrats are eager to work with President Trump and Republicans in Congress on an infrastructure package. Lawmakers on both sides of the aisle have agreed on the need to make more infrastructure investments, but the challenge is coming to an agreement on how an infrastructure package would be paid for. At the event, Rep. DeFazio spoke about his proposal that would index gas and diesel taxes to inflation, saying he will send it to the White House once it is finished.

Congressman DeFazio also said that he plans to propose a national vehicle miles traveled (VMT) pilot program. A VMT is a user fee based on miles traveled that can possibly be tracked by phone apps, in-car diagnostic systems or by other means. Speaking at the event, DeFazio stated, "I'm going to propose that we have a national VMT pilot, allow people to opt in, then they'll get a rebate for the estimated gas tax you would have paid." DeFazio's home state of Oregon has already implemented a VMT pilot program that has gained interest due the rise of electric vehicles (EVs) and more fuel-efficient cars. He said that the U.S. will likely move to VMT taxes in the future but not yet because most vehicles still rely on gas and diesel. Lastly, a VMT plan should include congestion pricing, saying that "the only fair way to do VMT is with congestion pricing. You shouldn't charge a farmer who has to travel 20 miles to the feed store the same per-mile fee as someone who jumps on 205 in Portland and causes a backup."

PLAN TO ATTEND THE 2019 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

April 23, 2019 – Idaho (IPM&CSA) Treasure Valley PAC Fund Golf Tournament, Nampa, ID

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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