



1901 N. FORT MYER DRIVE • SUITE 500 • ARLINGTON, VA 22209-1604 • 703-351-8000 • FAX 703-351-9160

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Air and Radiation Docket and Information Center,
Environmental Protection Agency,
Mail Code: 2822T
1200 Pennsylvania Ave. NW.,
Washington, D.C. 20460.

**Docket ID No.: EPA-HQ-OAR-2018-0167. Renewable Fuel Standard Program:
Standards for 2019 and Biomass Based Diesel Volume for 2020**

VIA ELECTRONIC SUBMISSION

BACKGROUND:

PMAA is a national federation of 47 state and regional trade associations collectively representing 8,000 independent petroleum marketing companies nationwide. Approximately 94 percent of U.S. gas stations are owned by small business independent retailers, represented by PMAA. We are not "Big Oil". The vast majority of petroleum marketers represented by PMAA qualify as small businesses under U.S. Small Business Administration size categories.

Petroleum Marketers store and dispense a variety of finished liquid fuels including gasoline diesel fuel, biodiesel, E85, jet fuel, racing fuel, marine and locomotive fuel and heating oil. These companies and their customers benefit from the additional volume of liquid fuels that ethanol and biodiesel bring to the marketplace. PMAA and its members support the Renewable Fuels Standard (RFS) so long as obligated volumes are based on market demand and do not result in fuel blends that are incompatible with storage and dispensing equipment at retail fueling stations.

-1-

Page 2. PMAA Comments: Docket ID No. EPA-HQ-OAR-2018-0167.

COMMENTS:

Proposed Volumetric Blending Mandates

PMAA fully supports renewable fuels and recognizes their importance to eliminating America's dependence on foreign oil. However, PMAA believes that the volumetric ethanol mandate should be limited to no more than 9.7 percent of projected gasoline demand as determined by the Energy Information Administration (EIA). Adopting annual volumetric blending mandates that produce more ethanol blended gasoline than the marketplace demands and that RIN credits can no longer offset, is forcing higher ethanol blends onto a reluctant marketplace and artificially inflating the value of RIN credit. If obligated blending volumes are not tied to actual demand the current blend-wall will be breached and E15 will replace E10 blended gasoline. E15 blended gasoline is not compatible with the majority of underground storage tank (UST) system components currently in operation at the majority of retail gasoline stations nationwide.

E15 Compatibility Issues

Ethanol blends greater than E10 are not compatible with the existing UST storage and dispensing equipment currently in service. While many underground storage *tanks* may be compatible with ethanol blends over E10, piping and dispensing equipment running from the tank to the pump nozzle are not. Gasoline blends greater than E10 ethanol can quickly make brittle, crack dissolve, or corrode rubber seals, gaskets, plastic sump components, piping and dispenser pump equipment, as well as the glue and pipe dope that holds all these components together. Introducing E15 blended gasoline in the retail fuel storage and dispensing systems currently in use today will result in a significant increase in releases of petroleum products into the environment.

Replacing existing equipment from the tank to the dispensing nozzle with E15 compatible components does not solve the compatibility issue. Retrofits with compliant equipment would cost more than \$300,000 per retail site. PMAA members operate anywhere from 1 to 25 retail gasoline stations. Both the cost to change-out existing noncompatible UST equipment at just one retail location is far beyond the financial capability of most petroleum marketers. Even if petroleum marketers had the means to upgrade to E15 compatible UST system components, the capital investments required would never be recouped over the lifetime of the equipment. Consumers have largely rejected E15 due to compatibility issues with vehicle emission systems and lower energy content that reduces overall mile per gallon. Many of the marketers who made the investment in E85 UST system components have since converted those tanks back to E10 service due to lack of consumer interest and concern over poor vehicle engine and emission system performance as well as a significant lower energy content than E10. In addition, the current high demand for neat gasoline to fuel boats, motorcycles and small engines, demonstrates that consumers have little desire for E15. Overall, consumers are not convinced E15 won't damage their gasoline powered vehicles and equipment.

The ethanol industry incorrectly claims that all existing UST systems are fully compatible with E15 blends. Even if this claim were true, current federal, state and local regulations would still bar the use of E15 blends in most *existing* underground storage tank systems. The EPA, OSHA and local fire regulations all require UST owners to prove that their systems are compatible with the product they hold. This is a legal requirement that is independent of whether the system is *actually* compatible. Tank owners are required to demonstrate that each of their UST system components are certified to E15 standards. This makes proving compatibility of existing UST systems almost impossible. Most UST system components in the ground today have been certified by Underwriters Laboratories (UL) or equipment manufacturers only to maximum E10 standards. The UL and manufacturer certifications were made before the system components were put in the ground and long before E15 was conceived. UL refuses to recertify existing UST equipment to E15 standards, even where the individual components are known to be compatible. While some manufacturers have recertified E10 equipment for use with higher ethanol blends, few have done so. Most tanks have been recertified for E15 blends. But, only a very small percentage of the many hundreds of individual UST system components that run from the tank to dispenser pump nozzle have been recertified to E15 standards. Thus far, the total number of system components recertified for E15 blends are too few to make demonstrating compatibility any easier or even possible in most cases.

Without the ability to prove actual or legal compatibility, the vast majority of the retail gasoline tanks operated by PMAA members would be forced to close on a long-term temporary or permanent basis should the RFS force E15 into the marketplace. Even if PMAA members were able to afford replacement of E10 equipment with E15 certified components and do so in way that would not disrupt the petroleum supply chain, there are not enough compatible UST system components available for retrofit or trained professional to install them.

Mass disruption to the retail gasoline supply chain and higher gasoline prices at the pump is precisely where we are headed should the RFS force E15 into the marketplace. PMAA urges the EPA to use their statutory waiver authority to keep the current corn ethanol mandate at a maximum 9.7% of projected gasoline demand that will prevent the disruption of retail infrastructure for fuel delivery nationwide.

Disruption of the RIN market

Annual increases in the obligated blending volumes for ethanol, despite falling gasoline demand, have disrupted the RIN credit market. Too many obligated parties chasing too few available blend credits has led to higher RIN prices. Higher RIN costs from escalating ethanol blending obligations has pushed prices up at the pump and created a significant competitive advantage for a single small class of retailers over all others. Position holders at the terminal rack who are not obligated parties and also operate retail facilities, are using the *value* of the RIN they receive for blending to sell gasoline at their retail facilities significantly lower than retailers not similarly situated.

These large multi-state retail chains are making millions in the inflated RIN market and using the profits to subsidize lower prices at the pump to drive out their smaller competitors.

Most retailers are not vertically integrated in a way that would allow them to effectively compete against the chain marketer/blenders. The vast majority of retailers must enter into supply agreements with the major refiners, who are obligated parties. The major refiners must purchase RINS to meet their obligated blending mandates and at the same time avoid breaching the blend-wall. They don't use the RIN value to subsidize retail gasoline prices, but instead pass it down as an added *cost*. This results in a highly uneven and unfair playing field for the majority of retailers who are not vertically integrated from the terminal rack down to the retail pump. The cost to become fully integrated is far beyond the resources of nearly every gasoline retailer nationwide. Moreover, there are not enough terminal positions available to create a level playing field. In this way the RFS is picking winners and losers. This scenario will continue so long as obligated blending volumes do not reflect actual consumer demand and obligated parties are forced to purchase blending credits at artificially inflated prices.

The only way to avoid the unfair competitive advantage the RFS provides to vertically integrated retailers is to set the ethanol mandate at 9.7 percent of projected gasoline demand.

Cellulosic Waiver Authority

PMAA supports the Agency's use of waivers to reduce cellulosic blending mandates and in turn lower the obligated volumes for advanced biofuel and total renewable fuel. As stated above, PMAA believes it is essential that obligated volumes be based on demand rather than at an arbitrary statutory volume established by Congress more than a decade ago. PMAA also supports the proposed 2.3 billion gallons obligated blending volume for bio-mass based diesel (BBD) for 2020. The biodiesel market over the years has consistently demonstrated a strong demand for BBD. PMAA expects demand for BBD will continue to grow beyond the expiration of the statutory mandates in 2022.

CONCLUSION:

Again, PMAA urges EPA to lower the corn-based ethanol mandate to approximately 9.7 percent projected gasoline demand to prevent the breach of the ethanol blend wall that will lead to a major disruption to gasoline price and supply at the retail level nationwide. PMAA believes a 9.7% cap will stabilize the RIN market and allow it to operate as intended without undue speculation and disruption to retail markets. The 9.7% cap will also reduce the artificially inflated price of RINS and prevent large vertically integrated chain retailers from gaining an unfair competitive advantage over their smaller nonintegrated competitors. PMAA also supports the proposed bio-mass based diesel blending mandates for 2020 and use of the EPA's the cellulosic waiver authority to reduce the cellulosic, advanced biodiesel and total renewable fuel obligated blending volumes for 2019.

Please let me know if I can provide any additional information.

Sincerely,

Mark S. Morgan, Regulatory Counsel

Petroleum Marketers Association of America mmorgan@pmaa.org

(202) 364-6767