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December 19, 2007

To: PMAA Members

From: Sherri Cabrera, PMAA Director of Legislative Affairs

Re: Summary of HR 6 Provisions now known as P.L. No. 110-140 Energy Independence and Security Act of 2007

On Tuesday the House passed H.R. 6, the Energy Independence and Security Act of 2007, by 314-100 and President Bush plans to sign the legislation today. As previously reported, PMAA's opposition to the gouging provision paid dividends - the gouging provision was not included in the energy package. Another victory for marketers was the removal of home heating oil from the renewable fuel mandate. PMAA leaders determined a blending mandate on heating oil would increase costs and undermine an efficient oilheat marketplace. Furthermore, the \$21 billion tax package which would have repealed \$13.5 billion of tax incentives for oil and gas production is not included in the final bill.

Following is a breakdown of the new Act:

Sec. 102. 40% Increase in Corporate Average Fuel Economy (CAFE) Standards.

The CAFE standard for all cars and light trucks will be increased to 35 miles per gallon by 2020. Currently, CAFE standards are 27.5 mpg for cars and 22.2 mpg for light trucks.

Sec. 142. Mandated Reduction in Federal Fleet Petroleum Use. By 2015, and for each year thereafter, each agency will have to reduce petroleum consumption by 20% (through alternative fuel use, acquisition of higher use vehicles, decrease in miles traveled and in fleet size) and increase alternative fuel consumption by 10%.

Sec. 202. Mandated Increase in the Renewable Fuel Standard (RFS), Including Biodiesel. Imposes an unworkable 36 billion gallon RFS for transportation fuels by 2022, including establishment of a one billion gallon biodiesel mandate by 2012. In 2008, the ethanol mandate will be 9 billion gallons and the biodiesel mandate will be 500 million gallons for 2009. Because refiners will be obligated to blend biodiesel minimums in 2009, refiners may buy nearly every drop available or purchase RINS from jobber blenders. Off-road use of biodiesel is required in the new mandate.

Sec. 203. Study of Impact of RFS. The Secretaries of DOE and Agriculture will arrange for a National Academy of Sciences study on the impact of the new RFS requirements on the farming and energy industries.

Sec. 205. Pump Labeling Requirements for Biomass Based Diesel and Biodiesel. Within 6 months, the Federal Trade Commission (FTC) will promulgate biodiesel pump labeling requirements:

- No new labeling requirements for pumps with no more than 5% biomass-based diesel blends or biodiesel blends that also meet ASTM D975 diesel specifications.
- Blends of 5-20%, will be labeled “contains biomass-based diesel or biodiesel in quantities between 5 percent and 20 percent.”
- Blends with more than 20% will be labeled “contains more than 20 percent biomass-based diesel or biodiesel.”

Sec. 207. Advanced Biofuels Grants. \$500 million in grants to be awarded through 2015 for development of advanced biofuels.

Sec. 221. Biodiesel Study. Study of R&D challenges in increasing proportion of biodiesel fuel sold.

Sec. 223. Biofuels Production Grants in Certain States. Will provide grants for ethanol and cellulosic biomass ethanol R&D and commercial application in states with low rates of production.

Sec. 225. Study of Optimization of Flex Fuel Vehicles to Use E-85. The Study would consider whether such optimization would increase the fuel efficiency of flex fuel vehicles.

Sec. 226. Study of Engine Use of Biodiesel. DOE and EPA will initiate a study on the effects of the use of biodiesel on the performance and durability of engines at 5, 10, 20, 30 and 100% biodiesel blends.

Sec. 229. Biofuels & BioRefinery Information Center. Will create a center to provide information on feedstocks; processing techniques; distribution, blending, storage, and retail dispensing infrastructure necessary for the transport and use of renewable fuels; laws and incentives; and producers, users and potential users.

Sec. 230. \$230 Million R&D Funding for Cellulosic Ethanol and Biofuels Research.

Sec. 233. Bioenergy Research Centers. Establishment of 7 bioenergy research centers to accelerate transformational R&D of biofuels.

Sec. 241. Prohibition on Franchise Agreement Infrastructure Restrictions. Alters PMPA provisions as to what refiners, jobber/distributors and retailers can do regarding installation and conversion of tanks for biofuel use.

- Will prohibit franchise agreement restrictions on installation of renewable fuel pumps, but allows the franchisor to restrict installation of a tank on leased marketing premises.
- Conversion of a tank is permitted under any circumstances as long as the infrastructure is warranted or certified by a recognized standards setting organization to be suitable for use with renewable fuel.

Will permit advertising the sale of renewable fuels and permit selling in any area on the premises. Will also allow for purchase of renewable fuel from sources other than franchisor if the franchisor does not offer renewable fuel for sale. Allows for credit card payment of renewable fuel and provides exception to the 3-grade requirement by allowing for sale of renewable fuel in lieu of 1 grade of gas.

Sec. 242. Renewable Fuel Dispenser Requirements. Institutes DOE/DOT annual reports to Congress on the feasibility of requiring retailers to install E-85 dispensers in regions where flex-fuel vehicle market penetration has reached 15%. Number of retailers unable to support more than 2 underground storage tanks, and retailer costs of installing dispensers and related infrastructure and any probable subsequent increase in the cost of fuel is to be included in the reports.

Sec. 244. Infrastructure Grants. Will provide retailers 33 percent of the cost for installation and conversion of renewable fuel (11-85% renewable fuel blend and 10% biodiesel blend) storage or dispensing infrastructure, or \$180,000 total at any one retail station.

Will establish Refueling Infrastructure Corridors. A pilot grant program for up to 10 geographically-dispersed projects to ensure installation of infrastructure and equipment for gas blends that contain between 11 and 85 % renewable fuel or diesel fuel that contains at least 10 percent renewable fuel. \$200 million is authorized for the pilot projects.

Sec. 246. Federal Fleet Fueling Centers. The head of each Federal agency will install one renewable fuel pump at each federal fleet fueling center.

Sec. 247. Establishment of Standard Specs for B-5 and B-20. Unless the American Society for Testing and Materials (ASTM) adopts standards for diesel containing 5% biodiesel and 20% biodiesel within a year, DOE will initiate a rulemaking to establish a uniform per gallon fuel standard and ID number so that vehicle manufacturers are able to design engines meeting the standard.

Sec. 248. R&D for Alternative Distribution Infrastructure. DOE, DOT and EPA will conduct R&D and demonstration relating to existing transportation fuel distribution infrastructure and new alternative distribution infrastructure. The focus will be on efforts to mitigate against adverse biofuel physical properties such as: corrosion of materials used in pipes and storage tanks; dissolving storage tank sediments; clogging of filters; and microbial contamination.

Sec. 251. Waiver for Fuel or Fuel Additives. If EPA determines that a fuel or fuel additive will not cause emission control system failure, a waiver of prohibitions may be granted.

Sec. 303. Residential Boilers. Establishes new standards for boilers and furnaces beginning 2012. The original boiler provisions were reviewed by NORA CEO, John Huber. We will ask John to examine the final language.

Sec. 304. Furnace Fan Standard Process. Requires new process by 2013.

Sec. 306. Regional Standards for Furnaces and Heat Pumps. The Secretary of Energy may determine, after notice and comment, that more stringent energy conservation standards are needed for furnaces, boilers or central air conditioning equipment and that such standards should be national or that they should be regional.

Sec. 308. Expedited Rulemakings. Allows for expedited rulemaking (final rule to be published no sooner than 110 days after publication of proposed rule) of consensus energy conservation standards that are recommended by all interested entities.

Sec. 314. Standards for Single Package Heat Pumps. Establishes new requirements for single package vertical heat pumps.

Sec. 411. Reauthorization of Weatherization Assistance Program. Increases funding to \$750,000,000 for 2008 up to \$1,400,000,000 for 2012.

Sec. 804. Coordination of Planned Refinery Outages. Assigns the Administrator of the Energy Information Administration to review information on refinery outages from commercial reporting services and analyze the information to determine what affects there are on price, production, retail and wholesale supply shortages and disruptions and encourage reductions of the quantity of refinery capacity that is out of service at any time.

Sec. 811. Prohibitions on Market Manipulation and False Information. Prohibits any person in connection with the purchase or sale of crude oil gasoline or petroleum distillates at wholesale, to report misleading price information or data. Regulations are to be established and enforced by the Federal Trade Commission with fines up to \$1 million per violation.