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Environmental Protection Agency
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BACKGROUND

On behalf of the Petroleum Marketers Association of America (PMAA), we respectfully submit these comments in response to the Request for Comment on the proposed Safer Affordable Fuel-Efficient (“SAFE”) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks issued by the National Highway Traffic Safety Administration (NHTSA) and the U.S. Environmental Protection Agency (EPA), known as the “Agencies.”

PMAA is a federation of 47 state and regional trade associations representing approximately 8,000 independent petroleum marketers nationwide. PMAA companies own 60,000 retail fuel outlets such as gas stations, convenience stores and truck stops. Additionally, these companies supply motor fuels to 40,000 independently owned retail outlets and heating oil to over eight million homes and businesses. PMAA members are engaged in the transport, storage and sale of petroleum products including gasoline, diesel fuels, kerosene, jet fuel, aviation gasoline, propane, racing fuel, lubricating oils, and home heating oil at both the wholesale and retail level. PMAA members are the primary conduit for bringing petroleum products from the terminal rack to retail locations and represent a vital and indispensable link in the nation’s petroleum distribution chain.
COMMENTS

For numerous reasons, PMAA supports the Department of Transportation's National Highway Traffic Safety Administration (NHTSA) and the EPA’s Proposed Safer Affordable Fuel-Efficient (SAFE) Vehicles Rule for Model Years 2021-2026 Passenger Cars and Light Trucks that would freeze CAFE standards and corresponding greenhouse gas standards at 2020 levels and revoke the rights of individual states to adopt more stringent emissions standards.

Key Points to Consider:

• PMAA believes the proposed rule properly reflects the statutory factors that the Agencies must consider, including consumer acceptance, safety, technical feasibility, national security, and economic practicability.
• Current CAFE standards may lead to an increase in electric vehicle (EV) production which does not necessarily guarantee a CO2 footprint reduction given that EV power is likely to derive from traditional energy sources such as coal and natural gas.
• Aggressive CAFE standards set forth by the Obama Administration while maintaining requirements for corn ethanol volumes under the Renewable Fuel Standard (RFS) could potentially force higher ethanol blends into retail gasoline station underground storage tank systems that are not compatible with E10 plus blends.
• CAFE standards must be reduced to ensure that parties mandated to blend ethanol into gasoline under the Renewable Fuel Standard (RFS) can meet their blending obligations in a way that does not lead to gasoline price spikes at the pump.
• Petroleum marketers are placed at a competitive disadvantage when the utilities can use their rate base to pay for EV infrastructure expansion compared to small businesses petroleum marketers who must economically justify at-risk investments in new equipment like EV charging stations.
• EV infrastructure expansion puts a financial burden on poor and middle-class consumers who must subsidize these EV charging stations operated by utilities but cannot afford EVs.

Consumer Choice, EV Costs, Safety and Environmental Impacts

Electric vehicles (EVs), on average, typically cost about $10,000, far more than equivalent gas- or diesel-powered cars. To meet the Obama-era standard, automakers would have to build expensive EVs, sell them at a loss, and increase the cost of other vehicles in their product line to make up the difference. Even with federal and state tax credits and internal manufacturer subsidies (in the form of cross-subsidization), consumer demand for these vehicles is very low. To date, EVs represent only about 1% of new automobile sales. Consumers are in the best position to purchase the most affordable fuel-efficient vehicles on the market. Market studies show that consumers purchasing new vehicles are overwhelmingly choosing to buy gasoline and diesel-powered cars and trucks over EVs.
PMAA agrees with the Agencies’ understanding that higher vehicle costs keep older cars on the road longer, thereby delaying the safety and environmental benefits of new cars. EVs present a number of safety concerns. First, the majority of EVs are smaller-sized vehicles, manufactured with light weight composite materials. As a result, occupants of EVs are at higher risk of injury and death due to a crash than larger vehicles manufactured with stronger materials. Secondly, a common misconception is that EVs are environmentally cleaner than conventionally powered automobiles. However, the truth is that widespread adoption of EVs nationwide will increase air pollution compared with new high efficiency, cleaner burning internal combustion engines. EVs rely on electricity generated from coal and natural gas which are both major sources of greenhouse gas emissions. Furthermore, EVs must be transported to and from locations by different methods of transportation that produce emissions. Lastly, there are serious safety concerns surrounding the batteries that power electric vehicles. EV batteries can catch fire and produce toxic gases not normally encountered with internal combustion vehicle fires. These toxic gasses are dangerous to first responders and require unfamiliar fire suppression methods that are not in widespread use. which can present problems for first responders and also create recycling issues.

E15 Infrastructure Compatibility

Adopting aggressive CAFE standards while increasing volumetric blending mandates for ethanol will likely force higher ethanol blends into the marketplace. E10 plus blends are not compatible with the vast majority of underground storage tank systems currently in use at retail gasoline stations nationwide. While many underground storage tanks (USTs) may be compatible with ethanol blends over E10, UST system piping and dispensing systems are not compatible. E10 plus blends can quickly dissolve pipe dope, non-compatible seals, gaskets, and plastic components along with the glue used to connect pipe and fittings in a liquid tight delivery system. Using E10 plus blends in these UST systems could result in widespread releases of gasoline into the environment. Moreover, it would cost small business petroleum marketers more than $100,000 per location to replace existing equipment with E10 plus compatible components. A capital investment, even if available, would not be recouped based on consumer rejection of E10 plus blends. PMAA has also expressed concerns regarding E15 incompatibility with pipe dope and other sealants in UST systems. Ensuring UST systems are compatible with the pipe dope and sealant used is critical because EPA thinks that pipe dope used prior to 2007 is probably not compatible with ethanol blends greater than 10 percent. Most older pipe dope was soft set pipe dope and not intended to be used with ethanol blends over 10 percent.

Current CAFE Standards Could Lead to Motor Fuels Market Chaos

If the current CAFE standards stay in place coupled with an ever increasing RFS mandate, mass disruption in retail gasoline supply and an unacceptable rise in prices at the pump is precisely

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1 Source: [https://www.afdc.energy.gov/vehicles/electric_emissions.php](https://www.afdc.energy.gov/vehicles/electric_emissions.php)

the direction that the nation is heading. PMAA does not believe the current RIN market will continue to sustain an E10 maximum blend through credit offsets for much longer and it is likely to get worse if the existing CAFE standards are not significantly reduced. The price and number of RINs required by obligated parties for blending credits are rising to an unsustainable level.

Under the RFS, obligated parties purchase blending credits called RINs to offset shortfalls in their annual volumetric blending mandates set under the RFS. Higher CAFE standards will reduce demand for gasoline. This reduction in demand will shrink the pool of gasoline blend stock required for obligated parties to meet their volumetric blending mandates. Consequently, obligated parties will be forced to purchase RIN credits in far greater numbers to offset the loss of gasoline blend stock. This will increase demand for RINs and cause their cost to soar. Higher prices will also result in excessive speculation in the RINs market by commodity traders. Market speculation will artificially inflate the cost of RINs even higher. These increased RIN costs will be passed on directly to consumers in the form of significantly higher prices at the pump. PMAA believes that obligated parties may soon be forced to avoid escalating RIN costs by switching to E10 plus blends on a regional basis at first and followed by nationwide introduction in the not too distant future.

Increased RIN values will likely continue to erode the bottom lines of many obligated parties. Some RINs are also sold by position holders at the terminal rack who are mostly large, multistate chain retailers. The large retailer position holders are not obligated parties so every RIN they produce by blending is sold to obligated parties at inflated prices due to the 15-billion-gallon ethanol mandate. The sale of RINs by the large chain retailers earn millions in profit that are also passed down to their retail outlets enabling them to sell below the cost of competing independent branded marketers, according to some independent branded marketers. This results in a competitive disadvantage that is difficult to overcome.

Unfair EV Infrastructure Expansion and its Impact on Small Businesses and the Less Fortunate

As the number of EVs grows, small business petroleum marketers attempting to enter the EV charging market will be at a competitive disadvantage. When utility companies install charging stations, they treat the cost as a capital investment. After these costs are approved by governmental regulatory agencies, they are passed on to all ratepayers as part of their monthly electric bills. This means electric utilities are entering the EV charging market fully subsidized and without any financial risk. This puts petroleum marketers at an unfair competitive disadvantage because they themselves must put up the capital investment for EV charging infrastructure and assume all financial risk associated with that investment. Further, petroleum marketers entering the EV fueling market would be at a competitive disadvantage to electric utilities since they would likely need to pay market or near market rates for their electricity.

EV infrastructure expansion also puts a financial burden on low income consumers who must subsidize these charging stations but cannot afford EVs. POLITICO Pro DataPoint recently released a new graphic breaking down data on individuals who claimed the $7,500 electric vehicle tax credit in 2015 and 2016 which shows that the biggest growth in use of the tax credit
between those two years was in households with adjusted gross incomes between $200,000 and $500,000.³

CONCLUSION

For the reasons expressed above, PMAA believes it is premature to move forward with aggressive CAFE standards. PMAA supports the rulemaking that would freeze CAFE standards and corresponding greenhouse gas standards at 2020 levels. Moreover, any final rule should revoke the rights of individual states to adopt more stringent emissions standards.

Please do not hesitate to contact me if you have any questions or require additional information at runderwood@pmaa.org or at 703-351-8000.

Sincerely,

Rob Underwood
PMAA President

³ Politico Pro DataPoint/Politico Pro Morning Transportation Brief, October 25, 2018