

AFPM Public Hearing Testimony on the Removal of Gasoline Volatility Waiver
March 21, 2023

Good morning, I am Patrick Kelly, Senior Director, Fuel & Vehicle Policy at American Fuel and Petrochemical Manufacturers. AFPM represents companies that refine and distribute fuel across the U.S.

Eight Midwest states have asked EPA to require a new and unique boutique gasoline blend that would cost more to produce and distribute, reduce in-region fuel supply, and make the Midwest more susceptible to fuel shortages. These eight states are asking EPA to impose significant costs on refiners, pipelines, and terminals, that result in negative economic impacts on the Midwest region and its consumers.

EPA did the right thing by taking 2023 implementation off the table, but the proposed 2024 effective date remains a significant problem, and EPA will need to exercise its authority to further extend implementation.

Refiners will incur additional costs to separate and remove light ends, such as butane. New infrastructure will be needed to store or ship these components out of the refinery by truck, rail, or barge. New storage tanks needed at pipelines and terminals will - as EPA acknowledges - take two years to construct. And a less efficient fuel supply system will cost more to operate.

Refinery modeling shows that the additional cost to produce, store, and distribute a unique Midwestern gasoline is expected to range from 8 to 12 cents per gallon. The total incremental cost to supply this new boutique gasoline ranges from \$500 - \$800 million dollars each year, and a disruption could push costs to \$1.1 billion.

Eliminating the 1-pound waiver will reduce overall fuel production in the affected states, and fewer refineries will be capable of supplying Midwestern summertime gasoline. Refinery and supply system constraints would result in approximately 125,000 fewer barrels per day of gasoline and 33,000 fewer barrels-per-day of diesel fuel produced in the region during the summer volatility season – this is equivalent to the loss of a large Midwest refinery.

These eight states are also asking EPA to put the Midwest at greater risk of supply disruption. The Midwest would rely more heavily on supply from Gulf Coast refineries and would be cut off from receiving available supplies from neighboring states. In the event of a hurricane, or other extreme circumstance, gasoline shortages in the Midwest could be more frequent and last longer, which increases the risk of price spikes. As EPA pointed out, in a recent supply event, price differences between Gulf Coast and Midwest conventional gasoline reached 28 cents per gallon.

In closing, we encourage EPA help these eight states to understand the negative consequences of their requests, and to avoid finalizing a rule that would result in unnecessary cost increases for fuel providers and consumers.

Thank you for the opportunity to discuss these issues and I am happy to answer any questions.