

**STATEMENT OF THE
AMERICAN FUEL & PETROCHEMICAL MANUFACTURERS
AT THE PUBLIC HEARING ON
EPA'S PROPOSED TIER 3 STANDARDS**

Docket ID No. EPA-HQ-OAR-2011-0135

April 24, 2013

Good morning. I am Tim Hogan, Director of Motor Fuels at the American Fuel & Petrochemical Manufacturers. AFPM is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of gasoline, diesel, jet fuel, other fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of products vital to everyday life.

EPA proposes that refiners further lower the amounts of sulfur from gasoline despite the fact that our industry already removed 90 percent since 2004. The remaining incremental reduction of trace amounts of sulfur will cost refiners almost as much as the Tier 2 reduction ten years ago, which removed 15 times more sulfur than the proposed Tier 3 regulation would require. A Baker and O'Brien analysis estimates that gasoline sulfur content reduction will cost refiners \$10 billion in capital costs and \$2.4 billion a year in operating costs — increasing the cost of producing gasoline by 6 to 9 cents per gallon.

We know that mobile source emissions have declined because of the Tier 2 standards, and this will continue because not all cars and light-duty trucks in the current fleet are Tier 2 vehicles. However, the estimated air quality benefits of Tier 3 will be much smaller than Tier 2. For ozone, this reduction is estimated to be no more than 0.5 ppb by 2022.

The Agency claims that this proposed Tier 3 standard is necessary for states to attain the existing ozone NAAQS. Last year, EPA promulgated nonattainment areas for the 2008 ozone NAAQS. Most (36 are marginal out of 46 total nonattainment areas) must be in compliance by 2015 based on monitoring data for 2013, 2014 and 2015. Tier 3 will not help these 36 marginal nonattainment areas because it will not be effective before 2017.

We believe that there should be at least five years between the promulgation of a Tier 3 rule that includes reduction in the sulfur content of gasoline and its effective date. Refiners need this leadtime to schedule equipment modifications or the installation of new equipment during a turnaround. Otherwise, refineries may be temporarily shutdown with associated supply impacts. Tier 3 is not required by law and the selection of 2017 is arbitrary. If EPA promulgates a reduction in the sulfur content in gasoline in late 2013, then the effective date should not be earlier than 2019.

AFPM recommends that the current refinery gate cap for gasoline remain at 80 ppm sulfur. This would not interfere with an engine technology. Even the Agency has proposed that 80 ppm is prudent for 2017-2019.

AFPM supports a new certification fuel. Indolene should be replaced with E10, not E15. Almost all gasoline today is E10. It is speculative to expect that E15 will be the predominant fuel in 2017. The current certification fuel in California is E10 and one of the stated goals of this proposal is harmonization with California's standards.

New regulations can actually create conflicts with existing regulations. These conflicts could jeopardize a refiner's ability to comply with federal fuel formulation regulations. Refiners will often have to make modifications to operations that are necessary to make clean fuels. Such upgrades could trigger greenhouse gas (GHG) emissions regulation, putting these projects in jeopardy.

Incongruously, as a result of requiring the refining industry to install energy-intensive equipment to remove additional sulfur, the Baker and O'Brien analysis estimates that greenhouse gas emissions will increase by 1 to 2.3 percent at refineries as a result of this proposal. The Administration needs to understand that further gasoline sulfur reduction will cause an increase of emissions at refineries.

In this instance, mandating lower sulfur fuels under the Clean Air Act would require facilities to install advanced technologies that increase energy use for the formulation of increasingly complex motor fuels. For example, sulfur is a component of crude oil. Hydrotreating is the principal technology used to reduce sulfur in petroleum products (i.e., gasoline, home heating oil or diesel). This and other such technologies, in turn, require significant additional energy consumption with associated greenhouse gas and other emissions. The production of extra hydrogen necessary for the hydrotreater results in an increase in GHG emissions because the hydrocarbon source (natural gas or refinery fuel gas) must be "cracked" to recover the hydrogen - releasing large amounts of CO₂. Therefore, the proposed gasoline sulfur reduction standard will increase the carbon footprint at refineries.

AFPM has requested that the public comment period for the Tier 3 rulemaking be extended beyond June 13. There are hundreds of documents in the docket and additional time is necessary for a comprehensive review. AFPM recommends 90 days after publication of this proposal in the Federal Register.

AFPM members are dedicated to working cooperatively at all levels to ensure an adequate supply of clean, reliable and affordable transportation fuels. AFPM members are focused on building a better tomorrow for the American people, continuing our efforts to improve the environment at the same time we manufacture vital products to strengthen our economy and improve the lives of families. We work to ensure a stable and effective fuels policy to improve our national security, assist our consumers and protect our environment.