



Environmental News

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**AGENCY PROPOSES FUEL PROGRAM REFORMS TO BENEFIT CONSUMERS,
IMPROVE AIR QUALITY**

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EPA today is transmitting to President Bush its report on the state and local “boutique” clean fuel programs called for by the President’s National Energy Policy report issued May 17, 2001. The Agency’s report identifies several regulatory changes that can be made in the near term that could help to moderate gasoline price spikes during future transition periods when fuel producers switch from winter to summer grade cleaner-burning gasoline. During the transition period in both 2000 and 2001, gasoline prices rose sharply, particularly in the Midwest.

“I am concerned that when supplies fall short, due to increased demand or pipeline disruptions, the gasoline prices increase dramatically, as we saw this past summer. EPA requires the use of summer blend fuels to minimize air pollution during the hot summer months. While many factors contributed to the gasoline price spikes this year, we want to ensure that using summer blend fuel is not a contributor to price hikes,” said EPA Administrator Christie Whitman.

In conducting its study of boutique fuels, EPA analyzed the air quality benefits of clean fuels programs and assessed the impact of these fuels on the production and distribution system. EPA’s report identifies two major issues related to boutique fuels. The first is the need for greater flexibility in the process by which fuel marketers make the transition from winter to summer grade reformulated gasoline (RFG). The second is the growing number of state and local boutique fuels programs and the challenges that this growth may present to the gasoline distribution system.

“EPA is prepared to act quickly on a set of administrative and regulatory actions to provide new flexibility to refiners in advance of next year’s spring transition season, particularly in the Midwest,” said EPA Administrator Whitman. “We are committed to protecting our environment while ensuring our nation’s energy security.”

The Agency’s report to the President specifically outlines the actions that EPA will take in the near-term to provide for a more orderly transition from winter-to-summer grade RFG every spring. In summary, EPA will:

- Propose new regulations to ensure that terminals are able to transition from winter to summer grade fuels more gradually. This approach could help to avoid the temporary fuel shortages that, in the past, have been associated with localized spikes in gasoline prices.
- Allow fuel producers more flexibility in meeting fuel specifications than they currently have for their initial transition to summer fuel.
- Allow certain fuels types to be reclassified as RFG, thus making it easier to address localized issues that arise when there is an unexpected disruption in the distribution system.
- Propose to simplify certain RFG accounting and reporting requirements.

The second issue identified by the Agency is the growing number of state and local governments that have adopted their own fuel programs that are different from the federal RFG program. Despite the number of state and local fuel programs, EPA has found that the current gasoline production and distribution system is able to provide adequate quantities of boutique fuels, as long as there are no disruptions in the supply chain. If there is a disruption, such as a pipeline break or refinery fire, it can be difficult to provide gasoline supplies because of constraints created by these boutique fuel requirements. In addition, fuel providers are concerned that recently enacted state laws that ban the use of MTBE in future years may proliferate the number of boutique fuels and present new challenges to this country’s fuel production and distribution system.

EPA staff have prepared a White Paper that explores a number of possible approaches that could reduce the total number of fuels in the longer term. This White Paper, which will be released for public review and comment, lays the groundwork for needed future study into these and other possible approaches. The Agency will publish a notice in the Federal Register announcing the availability of the White Paper and requesting public review and comment. The comment period will end 45 days after publication in the Federal Register.

The Agency's report to the President, the Staff White Paper, and supporting documents are available at: www.epa.gov/otaq/fuels.htm. The letter from the EPA Administrator transferring the report to the White House is attached.

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