

Appendix A

**Letters from the Committee on Science,
U.S. House of Representatives**

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July 26, 2000

Mr. Lawrence A. Pettis
 Acting Administrator
 Energy Information Administration
 U.S. Department of Energy
 1000 Independence Avenue, SW
 Washington, DC 20585

Dear Mr. Pettis:

The U.S. Environmental Protection Agency (EPA) has proposed a 15 parts per million (PPM) highway diesel sulfur cap effective at the refinery or import level beginning April 1, 2006. The same standard would be effective at the terminal level on May 1, 2006 and at the retail level on June 1, 2006. These deep sulfur reductions will require significant investments that not all refiners may choose to make. As a result, diesel fuel supplies could be affected. In addition, these extremely low sulfur levels raise serious questions about the ability of the industry to adequately distribute the fuel in a fungible pipeline system that supports an array of different fuels and sulfur levels.

We believe that the EPA has not adequately studied the potential impacts of its proposed sulfur level on diesel fuel supply or the distribution system. EPA has also not fully assessed the availability of cost-effective desulfurization technologies that would be available in time to allow compliance with the new standard. As a result, an independent and objective study is needed that addresses, at a minimum, the following questions:

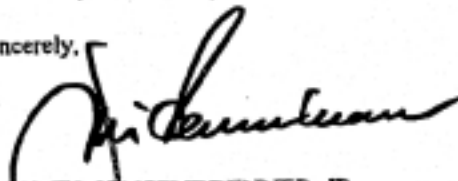
- > Assuming that the rule is finalized as proposed (without a phase-in of the low sulfur fuel), what are the potential impacts on highway diesel fuel supply that could result? What impacts are possible on other middle distillate products such as jet fuel, home heating oil and off-road diesel? If highway diesel fuel supply is adversely impacted, what are the potential impacts on the cost of diesel fuel to the end-users? To what extent would imports be able to fill any shortfall in supply and at what cost? How significant an effect would the 5% fuel efficiency loss associated with engine after-treatment devices have in the context of expected diesel demand under EPA's 15 PPM standard?
- > EPA has proposed implementing the new diesel standard in April 2006. How would potential supply change if the effective date was later (i.e., refinery changes for diesel did not have to overlap those for gasoline sulfur)?

Mr. Lawrence A. Pettis
July 26, 2000
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- > What are the effects of EPA's proposal on the diesel fuel distribution system? In particular, to what extent might fuel contamination occur when shipping low sulfur diesel in common pipelines with other, higher sulfur products? What is the capability of current testing methods to accurately measure sulfur level in the context of a 15 PPM sulfur cap? What operational changes, such as batch size and product sequence changes, would be necessary and how would they contribute to likely consumer costs?
- > Although not proposed in the rule, EPA has asked for comments related to the feasibility of phasing-in low sulfur highway diesel over the course of several years. Such a phase-in would require the introduction of a second grade of highway diesel fuel into the supply and distributions systems. What would be the impacts on the distribution system of a phase-in of low sulfur highway diesel? What additional investments would be needed to ensure the integrity of both the low sulfur and high sulfur product at the retail level? Would a separate infrastructure be required to adequately deliver product to market? How would these investments be recouped by the industry?
- > What effect would EPA's proposed standard have on refinery operations? Would additional processing be required and would that affect refinery product yield and fuel consumption within the refinery?
- > Do adequate, cost-effective technologies exist to allow refineries to adjust to the new 15 PPM standard? Are technologies in development that could reduce the costs in the future, and is there a high likelihood of their deployment into the market in a timely manner?

We are requesting that the EPA keep the proposed rule on the 15 PPM diesel sulfur cap public comment period open pending receipt of your findings. Thank you for your attention to this matter.

Sincerely,


 F. JAMES SENSENBRENNER, JR.
 Chairman


 RALPH M. HALL
 Ranking Minority Member


 KEN CALVERT
 Chairman
 Subcommittee on Energy and Environment


 JERRY F. COSTELLO
 Ranking Minority Member
 Subcommittee on Energy and Environment

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January 24, 2001

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Mr. Lawrence A. Pettis
 Energy Information Administration
 U.S. Department of Energy
 1000 Independence Avenue, SW
 Washington, DC 20585

Dear Mr. Pettis:

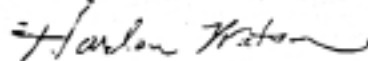
The Energy Information Administration is about to begin a study requested by the Committee on Science on July 26, 2000 regarding the effect of the Environmental Protection Agency's (EPA) 15 parts per million diesel fuel standard. I am enclosing a copy of the July 26, 2000 letter for your information.

The EPA issued the final rule on December 21, 2000, which differs in several ways from the request the Committee made in July. As such, please modify the request to take the assumptions underlying EPA's final rule into account. Where EPA's assumptions diverge meaningfully from industry assumptions please perform a sensitivity analysis as appropriate. There are some significant differences between EPA and industry assumptions in several areas including:

- the Btu content of ultra-low-sulfur diesel (ULSD);
- efficiency loss from engine after-treatment devices; and
- additional distribution costs

Thank you for your attention to this matter. Please contact Tom Vanek of my staff at (202) 225-4778 if you have any questions.

Sincerely,



Harlan Watson
 Staff Director
 Energy & Environment Subcommittee

HW/tjv

Enclosure