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**RFG/Anti-Dumping
Questions and Answers
September 19, 1995**

Fuels and Energy Division
Office of Mobile Sources
U.S. Environmental Protection Agency

RFG/ANTI-DUMPING QUESTIONS AND ANSWER, SEPTEMBER 19, 1995

The following are responses to most of the questions received by the Environmental Protection Agency (EPA) through August 15, 1995, concerning the manner in which the EPA intends to implement and assure compliance with the reformulated gasoline and anti-dumping regulations at 40 CFR Part 80. This document was prepared by EPA's Office of Air and Radiation, Office of Mobile Sources, and Office of Enforcement and Compliance Assurance, Office of Regulatory Enforcement, Air Enforcement Division.

Regulated parties may use this document to aid in achieving compliance with the reformulated gasoline (RFG) and anti-dumping regulations. However, this document does not in any way alter the requirements of these regulations. While the answers provided in this document represent the Agency's interpretation and general plans for implementation of the regulations at this time, some of the responses may change as additional information becomes available or as the Agency further considers certain issues.

This guidance document does not establish or change legal rights or obligations. It does not establish binding rules or requirements and is not fully determinative of the issues addressed. Agency decisions in any particular case will be made applying the law and regulations on the basis of specific facts and actual action.

While we have attempted to include answers to all questions received by August 15, 1995, the necessity for policy decisions and/or resource constraints may have prevented the inclusion of certain questions. Questions not answered in this document will be answered in a subsequent document. Questions that merely require a justification of the regulations, or that have previously been answered or discussed either in a previous Question and Answer document or the Preamble to the regulations have been omitted.

Topics Covered

Baselines

BASELINES

1. Question: The July 1, 1994 Q&A document indicates that purchased finished gasoline should not be included in a refiner's individual 1990 baseline in cases where the purchaser adds blendstocks or finished gasoline to the purchased gasoline, or does nothing to the purchased gasoline (see questions F.4 and J.3). However, in EPA's baseline review and approval process, some refiners have been told that purchased finished gasoline should be included if it has been changed in any way. Please clarify.

Answer: Section 80.91(c)(1)(iii) of the regulations indicates that purchased finished gasoline should not be accounted for in a refiner's baseline if it leaves the refinery "unchanged" from its arrival state. This provision is designed to ensure that a refiner's baseline reflects, to as great an extent as possible, its activities in producing gasoline in 1990. This provision also avoids double-counting (defined in more detail below), and is designed to ensure that a refiner's baseline does not reflect actions attributable to other refiners. A similar approach is taken in the compliance provisions (see 40 CFR 80.101(e)) where a refiner is required to exclude gasoline from its compliance calculations which was not produced at its own refinery.

The guidance issued by the Agency on July 1, 1994 for baseline development is consistent with the approach taken for compliance calculations. It notes that where a refiner purchased finished gasoline that has been included in the seller's baseline and then added components produced at its own refinery, only those added components are to be included in the refiner's baseline calculations; the purchased finished gasoline is not included. The one exception to this guidance is stated in Section 80.91(c)(1)(iii): if a refiner "changed" the purchased finished gasoline, it must be included in that refiner's baseline.

Purchased finished gasoline is considered unchanged (per §80.91(c)(1)(iii)) if it was simply blended with finished gasoline produced at the purchaser's refinery. When purchased finished gasoline is manipulated in this way, the resulting blend is no different than if fungible mixing had occurred downstream of the refinery. The finished gasoline produced at the purchaser's own refinery is a distinct product that can be clearly attributed to that refiner, and its properties are an accurate reflection of the product made by that refiner in producing gasoline in 1990. The addition of finished gasoline to the purchased finished gasoline can be treated as a separate event from the production of either of the precursory batches. Including the properties of the blend into the purchaser's baseline would result in the properties of the seller's finished gasoline being accounted for in both the seller's baseline and the purchaser's baseline (double-counting).

Likewise if the purchased finished gasoline was blended with blendstocks such as butane or alkylate, the purchased gasoline would be considered unchanged. The blendstocks are a distinct product, clearly attributable to the refiner, and the properties of the blendstock are an accurate reflection of the product made by that refiner in producing gasoline in 1990. The addition or mixing of the blendstock and the purchased finished gasoline can be treated as a separate event from the production of either the blendstocks or the purchased gasoline, and including the

properties of the final blend in the purchaser's baseline would tend to double-count the properties of the seller's finished gasoline.

In both forms of blending, the purchased finished gasoline is introduced into commerce in the same form as it arrived at the buyer's refinery, except with some additional, readily identifiable components; the fuel components involved all eventually end up being combusted in a vehicle engine. Since very few interactive effects between fuel parameters are recognized in the RFG compliance models, the final emission effects of a batch of gasoline are largely independent of whether the components are in a single batch or two different batches. Thus mixtures of gasolines or gasoline blendstocks are reasonably considered unchanged for the purposes of baseline determination.

If blending was regarded as an event that changes purchased finished gasoline, some refinery baselines could be severely and detrimentally affected. The volumes of purchased finished gasoline are very small for many refiners, but can be quite substantial for some. For such refiners, significant differences between the properties of the purchased gasoline and that produced at their own refinery can result in a baseline which profoundly misrepresents the impact of that refinery's production on vehicle emissions. In addition, many refiners have data on the finished gasoline they purchased in 1990, and so can accurately exclude such gasoline from their baseline.

Unlike blending, reprocessing of purchased finished gasoline would necessarily result in changes to the components that make up the gasoline batch. These changes would significantly alter the emission characteristics of the final finished gasoline. Although blending of purchased finished gasoline with components from the purchaser's own refinery also alters the emission characteristics of the final blend, there is a critical difference between blending and reprocessing in terms of the emission effects. For blending, the combustion emissions produced from the final blend will be nominally equal to the sum of the emissions from the purchased gasoline and those from the added components, had the blending not occurred. In other words, the same emissions (amount and type) can be expected regardless of whether blending occurs, because all the gasoline components in question (i.e. both the purchased finished gasoline and the added components) will end up being combusted in vehicles anyway; blending simply means that the components are combusted all at once instead of separately. As a result it may be said that the emission effects of purchased gasoline can be expected to manifest downstream of the buyer's refinery regardless of whether or not blending occurs.

However, when a batch of purchased finished gasoline is reprocessed in some way, all of the original gasoline components will not be combusted in a vehicle. Reprocessing would include any fuel manipulation that involves a blendstock producing unit, and which results in either a separation of fuel components or a chemical change to the molecules. Examples would include using the purchased finished gasoline as a supplemental feedstock to a unit, removing butane from the purchased gasoline, or redistilling it into separate components. Thus some components may be removed and sold in a non-fuels market, while other components may be chemically changed. As a result, the emissions attributable to the original purchased finished gasoline can

never be expected to manifest downstream of the purchaser's refinery. Thus EPA makes a distinction between blending and reprocessing of purchased finished gasoline for the purposes of baseline determination.

Therefore, per §80.91(c)(1)(iii), any purchased finished gasoline which has been reprocessed in any way (not simply blended) must be included in the purchaser's baseline determination. All other purchased finished gasoline shall be excluded from a refiner's baseline determination if the purchased finished gasoline has been included in another refiner's baseline.

EPA is aware that in a limited number of cases it has not implemented Section 80.91 (c)(1)(iii) consistent with the above guidance. For example, certain baselines have been approved that included purchased finished gasoline that had been blended with either finished gasoline or blendstocks. In such cases a baseline will need to be resubmitted to the EPA, regardless of whether a baseline has been approved or is pending approval by EPA. However, EPA will consider a petition by a refiner to not make such a resubmission if one or more of the following conditions are met:

- 1) The refiner is unable to accurately determine or estimate the volumes and properties of any components added to gasoline purchased in 1990, and so cannot accurately exclude the purchased finished gasoline from the baseline calculations.
- 2) Any change in refinery baseline properties or volume resulting from the resubmission will be de minimis.
- 3) Any change in refinery baseline properties or volume resulting from the resubmission would constitute a more lenient baseline.

In addition, if a refiner's baseline has already been approved by EPA and is revised to be more stringent for any parameter or volume due to the exclusion of purchased finished gasoline, then the revised baseline will not apply to any gasoline produced prior to January 1, 1996.