

Federal Trade Commission
Public Conference
Refined Petroleum Products

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Quality

U.S. EPA

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Mobile sources contribution to air pollution

- 50% of the Nox inventory
- 42% of the VOC inventory
- 25% of the PM-10 inventory
- 80% of the Carbon Monoxide

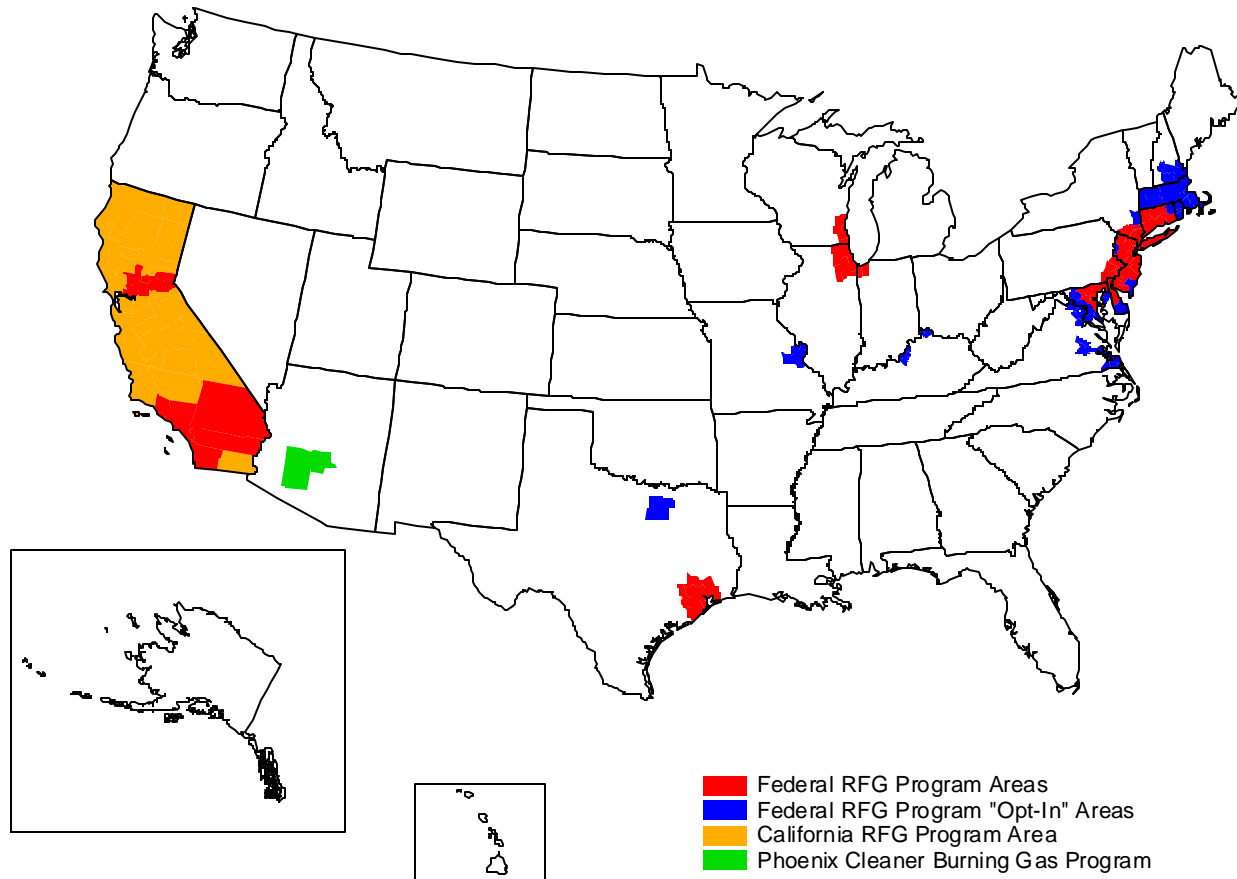
Cleaner Gasoline – Cleaner Air

- 1990 CAAA authorize policy innovations requiring cleaner gasoline designed to improve air quality
- Federal and state fuel programs authorized
- Reformulated Gasoline program (RFG) initiated in 1995 following lengthy stakeholder process

RFG and Cleaner Air

- Ten dirtiest metropolitan required to have RFG. Other areas citing air quality need allowed to “opt-in”
- 30% of gasoline consumed is cleaner-burning RFG
- 75 million Americans are breathing cleaner air because of RFG
- Emissions impact of removing 16 million vehicles off the road

Reformulated Gasoline Areas



CAA mandated RFG contain 2% oxygenate

- Both MTBE and ethanol used in current RFG program
- Water quality concerns with MTBE use
- Pending Senate energy legislation would eliminate oxygenate requirement, ban MTBE use and increase ethanol usage

Cost of RFG requirements is part of refinery production cost

- EPA estimates the production cost of summer RFG is 4 to 8 cents per gallon more than the production cost of CG
- No one has disputed EPA's estimate, which has remained stable over several years
- Summer RFG estimated to cost 2 – 3 cents per gallon more to produce than winter RFG

State Fuels - CAA Preemption

- CAA generally preempts states from prescribing more stringent fuels control programs.
- EPA can approve more stringent state fuel if necessary to achieve NAAQS
- 15 states have adopted clean fuel programs with strong support from local oil refiners

Boutique Fuels: Recent Actions

- NEPD Group directed EPA to study state and local “boutique” clean fuels programs
- Look for ways to maintain/improve environmental benefits
- Explore ways to increase the flexibility of fuels distribution infrastructure and improve fungibility

Range of Existing Fuel Programs

- Federal Conventional Gasoline
 - 9.0 RVP Nationwide
 - 7.8 RVP in Southern Ozone Nonattainment areas
- Federal Reformulated Gasoline
 - Northern Grade
 - Southern Grade
 - Both ethanol & MTBE versions different base fuels

Range of State Fuel Programs

- State/Local Fuel Programs

- 8.0 psi RVP

- 7.8 psi RVP

- 7.2 psi RVP

- 7.0 psi RVP

- 7.0 psi RVP, 150 ppm sulfur

California CBG, Arizona & Nevada CBG,
Minnesota ethanol mandate

Boutique Fuels: What we found

- EPA focused on summertime, clean fuel requirements set by states & localities
- State MTBE bans could lead to more boutique fuel programs around the country
- States have a demonstrated need for air quality improvement through cost effective gasoline modifications
- According to refiners, RFG Oxy mandate is a primary driver for boutique fuels

Is there a Problem with Boutique Fuels?

- The system works now except when there are disruptions like refinery fires or pipeline breaks
- During disruptions, boutique fuel requirements exacerbate the situation, particularly if a boutique fuel area is impacted

Winter – Summer Transition

- EPA recently finalized rules to help aid in transition from wintertime to summertime use of RFG.
- These include allowances to upgrade conventional gasoline to RFG, elimination of cumbersome blendstock accounting regulations, & increased testing tolerance

Conclusion

- Despite tremendous progress in reducing U.S. air pollution, vehicles are still a major source of air pollution.
- Both the number of cars and trucks and the number of miles driven keep growing.
- Clean fuel programs have been and will continue to be a vital component of our national pollution reduction strategy.