PMAA WEEKLY REVIEW

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Diesel Fuel Quality Discussed at Fuels Institute Meeting

The issues and concerns associated with diesel fuel quality were the topic of a Fuel Quality Council workshop held this week. Diesel engine manufacturers are under significant pressure to provide engines that meet increasingly more stringent emission standards resulting in greater demands on the quality of diesel fuel supplied and used in modern high-pressure diesel engines. This has been a topic of discussion at ASTM related to D975 and other fuel specifications that resulted in proposals to place the point of compliance for demonstrating diesel fuel quality at marketing facilities.

PMAA has argued that the responsibility for diesel fuel quality needs to occur throughout the supply and distribution chain from the refinery to the terminal to ensure that quality diesel fuel is delivered to a marketer's site or an end user. The workshop brought together representatives from the primary segments of the diesel fuel supply and distribution chain, as well as engine manufacturers and users to discuss their perspectives on diesel fuel quality, the challenges and opportunities facing each segment and management practices currently in place to ensure diesel fuel quality.

PMAA Environmental and Technical consultant, Jim Rocco, provided the marketer's perspective on diesel fuel quality noting that marketers are limited by the quality of the diesel fuel that is provided by their supplier and that they expect the diesel fuel provided to meet all applicable specifications. He also provided an overview of practices used at marketing facilities to monitor diesel fuel quality. It was clear from the presentations that each segment has its concerns and issues with diesel fuel quality as it moves through the supply chain. It was also recognized that there is no simple solution or one segment of the supply chain that is solely responsible for diesel fuel quality.

The overall outcome of the discussions was a consensus that diesel fuel quality needs to be simultaneously addressed at each segment of the distribution chain and a quality product passed on to the next segment. Any approach to addressing diesel fuel quality needs to account for the practicality of the approach and the economic impacts on the supply chain segment. Action items coming out of the workshop discussed during the Fuel Quality Council meeting following the workshop included developing a compendium of best management practices for each supply segments; continuing a collaborative discussion among the supply segments; engine manufacturers and users; and collecting and evaluating data to better understand the fuel quality issues and support changes to the ASTM D975 specification to reflect the needs of the modern high pressure engines.

PMAA will continue to take an active role in these discussions.

Trump Administration Ends Negotiations with California Over Auto Emissions Rule

Citing a lack of productive discussions with the California Air Resources Board (CARB), the Trump Administration announced this week that it was ending talks with CARB and moving forward with its rule that would freeze Corporate Average Fuel Economy (CAFE) standards and corresponding greenhouse gas standards at 2020 levels and revoke the rights of individual states to adopt more stringent emissions standards. Both the Trump Administration and CARB, California's top air regulator, were unable to come to an agreement on key points. The Trump Administration said that "Despite the Administration's best efforts to reach a common-sense solution, it is time to acknowledge that CARB has failed to put forward a productive alternative since the SAFE Vehicles Rule was proposed. Accordingly, the Administration is moving forward to finalize a rule later this year with the goal of promoting safer, cleaner, and more affordable vehicles."

The decision to end negotiations over the rule will undoubtedly lead to a meeting in court between the Trump Administration and California. California and other states that have adopted its rules already sued EPA over its decision last year to roll back the standards. That lawsuit is still pending.

Last October, PMAA submitted comments in support of the Trump Administration's proposed rule. PMAA highlighted numerous reasons why current CAFE standards could impact petroleum marketers and how important the Trump Administration's proposed rule is needed. Click here to read the comments.

EPA May Include RIN Market Reform in Draft Rule Allowing Year-Round Sales of E15

The EPA is likely to include sweeping reforms to the biofuel credit trading market in an upcoming proposed rule allowing the year-round sale of E15 blends. Biofuel credit trading (RINs) reform is important to petroleum marketers because unregulated speculation by Wall Street banks and commodity traders have destabilized the RIN market, resulting in higher gasoline prices at the pump. The EPA reforms are focused on eliminating market manipulation, preventing undue speculation, increasing transparency in the trading process and eliminating RIN hoarding. Among the proposed reforms under consideration by the EPA are:

- Barring Wall Street banks and commodity traders from participation in the RINs market;
- Limiting refiner, blender and importer position limits to 120 percent of their biofuel-blending obligations;
- Requiring RIN market participants to disclose the number of credits reserved for hold over above a set threshold established by the agency;
- Limiting RIN trading to obligated parties (fuel refiners and importers) required to buy RINs to meet annual biofuel blending quotas; and
- Limiting the length of time RINs can be held.

The EPA does not intend to implement all the listed reforms. Instead, the agency is seeking public comment on a range of reform options from which the agency will select for inclusion in a final rule expected later this summer. Publication of the EPA's proposed rule to permit year-round sales of E15 and impose new biofuel credit trading limits is expected by the end of February.

Many States to Issue SNAP Benefits Early for March

Because of the prior partial government shutdown and subsequent issuance of USDA's Food and Nutrition Service (FNS) February Supplemental Nutrition Assistance Program (SNAP) benefits earlier than usual, at least 35 states and territories will accelerate March SNAP benefits as well.

When USDA's funding expired on December 21, 2018, SNAP benefits for January were fully funded and FNS found a work around for February benefits but they had to be dispensed by January 20. Now most states are moving up their March payment schedules to lessen the gap between payments for low-income households and to help retailers keep shelves stocked at the right times.

SNAP retailers are urged to prepare for early transactions and to staff and stock stores appropriately. To view your state's SNAP distribution schedule for March, click here.

VISA and Mastercard to Raise Fees in April

According to a Wall Street Journal report, Visa and Mastercard will raise fees in April. Increases on interchange fees, which retailers pay their banks when accepting a card transaction, and fees that the banks pay to Visa and Mastercard for processing payments, will also increase.

The companies justify the increases by claiming security measures must be enhanced to prevent fraud and theft, and they continue to point out that retailers receive more sales if they accept card payments. Yet both saw 33 percent increases in their fourth quarter 2018 net income as compared to Q4 of 2017.

Increasing fees could also cover the cost of the $6.25 billion settlement the companies face after losing a U.S. antitrust case. Although that money had supposedly already been set aside, fees may be increased to also offset costs of antitrust investigations in Europe.

Visa and Mastercard make up an oligopoly and the fees the two companies charge are growing. PMAA continues to call for an end to price fixing by Visa and MasterCard and the card issuing banks.

EPA to Conduct Past Due RFS Air Pollution Impact Study

Under a partial settlement of a lawsuit with the Sierra Club, EPA announced yesterday that it will conduct a study of the air pollution impacts of the Renewable Fuel Standard (RFS). In the pre-publication notice, EPA opened a 30-day comment period on the proposed partial consent decree in Sierra Club v. Pruitt, to conduct the study by March 30, 2020.

On October 19, 2017, the Sierra Club filed a complaint in the U.S. District Court for the District of Columbia, alleging that the Administrator of the EPA failed to perform a non-discretionary duty to assess and report to Congress on the environmental and resource conservation impacts of the Energy Independence and Security Act's (EISA) RFS program, failed to complete the required anti-backsliding study to determine whether the vehicle and engine air pollutant emissions changes resulting from the RFS program's renewable fuel volumes adversely impact air quality, and failed to promulgate fuel regulations to implement appropriate measures to mitigate any such adverse impacts or make a determination that such regulations were unnecessary.

The Sierra Club argues that increased corn production to make ethanol damages critical ecosystems and creates water and air pollution. The laws establishing the RFS require EPA to conduct a study on the air impacts of EPA's ethanol requirements every three years. EPA issued the first report in 2011 (one year late), but it has not issued the second and third reports, which were due in 2013 and in 2016.

Federated Insurance: Risk Management Corner
Vehicle Preparedness

While it's true that a driver's skills, training, and experience are key to safety on the road, there's plenty that can be done before a vehicle leaves the garage to help a driver stay safe between Point A and Point B. Make sure all your vehicles are prepared — inside and out — for their intended use before you send employees out into traffic.

To read more about ways to prepare your vehicle in the cab and under the hood, please click here. For additional information or to discuss further, please contact your Federated regional representative or PMAA's National Account Executive Jerry Leemkuil at 800.533.0472.
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PMAA Platinum Partner Spotlight Featuring: Meridian Associates, Inc.
Getting Inventory "Right" by Betsi Bixby

If you don't have the "right" inventory, you are losing cash flow. Each $100,000 in over-stocked, slow-moving inventory costs you $100,000 in cash flow!

For a little motivation, if you could reduce your inventory by $100,000, you would save $10,000 per year in lower interest costs on working capital debt or you would earn $5,000 more in savings interest if you don't borrow. That's not including the savings from not having to dust, count and move the stuff around!

Please read the article in its entirety about key efficiency metrics by clicking here.

To learn more about **PMAA's Corporate Platinum Partner, Meridian Associates**, please visit or contact them at 800.728.9005.