PMAA WEEKLY REVIEW

March 29, 2019 **WR-19-13**

New Study Concludes Federal Mandate Required for Switch to a Single High-Octane Fuel Nationwide

The Fuels Institute released two reports this week about the feasibility of a nationwide transition to a high-octane fuel to improve mileage and reduce greenhouse gas emissions. Founded by NACS in 2013, the Fuels Institute is a nonprofit tax-exempt organization which is dedicated to evaluating issues affecting the vehicles and fuels market. The report is based on a hypothetical 98 octane rating for E10, E20 and E30 gasoline blends which noted that a 98 octane E10 would be the most viable of the three blends due to its similarity with the 93 AKI E10 currently available. The similarities between the two blends would provide a cheaper and more rapid transition to a single high-octane fuel than either the E20 or E30 blends because it would encounter less consumer resistance and eliminate any compatibility concerns with existing vehicles and UST systems.

Most of the transition costs would fall on refiners rather than retail marketers because new refining processes would be required to make the switch rather than new infrastructure upgrades downstream. However, the reports note that 98 E10 would be more expensive on a per gallon basis than either the E20 or E30 alternatives.

Finally, the Fuel Institute concluded that the complexities involved in the transition to a single high-octane gasoline would require a federal mandate, similar to the one used in the transition from leaded to unleaded gasoline. Such a mandate would require Congressional action, according to the Fuels Institute, since EPA lacks the authority to implement the transition nationwide. Even with a federal mandate in place, the transition to a single high-octane fuel would likely take decades to achieve given the need for both Congressional and EPA action to make it happen.

Last year, the American Fuel & Petrochemical Manufacturers argued that a fuel-neutral, 95-RON octane performance standard could address the needs of all stakeholders: the auto industry, marketers, biofuel producers, refiners, and, most importantly, consumers. 95 RON is similar to today's premium fuel that would lower emissions and preserve the liquid fuels distribution network. Given ethanol's octane boost, E10 would likely be used to meet the 95 RON standard. A move to a 98 RON would more than likely require E10 plus blends which would impact underground storage tank compatibility systems.

The Climate Change Ping Pong Match Continues

On Tuesday, the Senate voted down the Green New Deal (GND) resolution by a vote of 0-57. All Republicans, three Democrats and one Independent voted no, while the rest of Democrats voted present. The three Democrats who voted against the resolution were Sens. Doug Jones (D-AL), Joe Manchin (D-WV) and Kyrsten Sinema (D-AZ), while Independent Sen. Angus King (I-ME) joined them. Most Democrats voted present in a move that allowed them to avoid taking a formal position on the GND. Senate Majority Leader Mitch McConnell (R-KY) teed up the vote to put Democrats, some of whom are 2020 Presidential candidates, on the record regarding the progressive climate resolution.

Republicans have blasted the GND resolution as being unrealistic which calls for a "10-year plan to mobilize every aspect of American society at a scale not seen since World War 2 to achieve 100 percent net-zero greenhouse gas emissions and create economic prosperity for all." Before the vote on Tuesday, McConnell called the GND a "far-left wish list that many of our Democratic colleagues have rushed to embrace." Some Democrats have also been skeptical of the resolution, believing that is goes too far and is an unrealistic idea that has no chance at becoming legislation. However, some Democrats called the Tuesday vote on the GND resolution a "sham," with Senate Minority Leader Chuck Schumer (D-NY) saying, "Republicans want to force this political stunt to distract from the fact that they neither have a plan nor a sense of urgency to deal with the threat of climate change."

In the House, Rep. Matt Gaetz (R-FL) has been drafting a GOP response resolution to the GND resolution called the "Green Real Deal." The Green Real Deal resolution acknowledges climate change as a national security threat and says the government should promote the reduction of greenhouse gas emissions by reducing regulations that hinder advanced energy. The resolution aims to cut emissions through investing in fossil fuel carbon capture technology, new and updated nuclear and hydropower placements, making the power grid more efficient and granting energy companies improved access to public lands.

In other climate news, Speaker of the House Nancy Pelosi (D-CA) announced the introduction of H.R. 9, known as the "Climate Action Now Act," which is a bill that would reduce carbon emissions and have the U.S. rejoin the Paris Climate Agreement. At the same time, House Republicans attempted to put pressure on Speaker Pelosi to schedule a vote on the GND. At their own press conference on Wednesday, House Minority Whip Steve Scalise (R-LA) and Reps. Jeff Duncan (R-SC), Markwayne Mullin (R-OK) and Jody Hice (R-GA) introduced the House Energy Action Team, a coalition of members who oppose the GND and "support the development, deployment, and efficient use of 'all of the above' energy resources."

Lastly, on Wednesday, House Science, Space and Technology Committee Chairwoman Eddie Bernice Johnson (D-TX) announced that she recently met with Exxon Mobil CEO Darren Woods to discuss several climate initiatives including a carbon tax. Although she said a carbon tax was discussed, she said that "there was no firm decision on my part or his" regarding the possibility

of a carbon tax. In the past, Exxon has supported implementing a carbon tax and called for the U.S. to remain in the Paris Climate Agreement.

EPA's Underground Storage Tanks Deputy Director to Address PMAA's Motor Fuels Committee in May

Mark Barolo, Deputy Director of EPA's Office of Underground Storage Tanks (OUST), will address PMAA's Motor Fuels Committee at PMAA's DC Conference and "Day on the Hill" on May 10th. OUST is responsible for implementing the national UST and Leaking Underground Storage Tank (LUST) programs to prevent and clean up UST releases. OUST works closely with its state, tribal, and industry partners to develop practical solutions to the ever-evolving program challenges and opportunities. Mark has worked at OUST since 1993 in a variety of capacities and appreciates the opportunity to talk with and learn from other professionals in the industry.

GM's $7,500 Tax Credit for EV's to be Phased-Out in April
Axios Interviews GM's VP for EV Charging and Infrastructure

The IRS announced this week that the $7,500 federal tax credit for electric vehicles (EVs) made by General Motors (GM) will begin being phased out April 1 because a maximum of 200,000 vehicles per company are eligible for the credit and GM reached that number in the final quarter of 2018. For GM EVs bought after March 31, the credit will drop in half to $3,750. It will fall to $1,875 on October 1 and remain at that level for the next two quarters, before being eliminated altogether after March 31, 2020. The phase out of the tax credit for Tesla EVs has already begun.

While many EV manufacturers, environmental groups and Democrats have been pushing for Congress to continue the tax credit program and to expand the threshold of EVs, opponents, including President Trump, have called for an end to the program. Meanwhile, Sen. John Barrasso (R-WY), Chairman of the Senate Environment and Public Works (EPW) Committee, and Rep. Jason Smith (R-MO), recently reintroduced the "Fairness for Every Driver Act" that would terminate and repeal the federal EV tax credit up to $7,500 per new EV purchased for use in the U.S.

PMAA supports the "Fairness for Every Driver Act" and opposes granting a de facto monopoly to utilities unfairly competing in the marketplace which could ultimately put small business petroleum marketers out of business.

Meanwhile, Axios recently interviewed GM's newly appointed VP for EV charging and infrastructure, Mike Ableson, who moved to the newly created role after previously serving as a longtime senior executive. The article notes the interest that GM has shown in EVs, saying that GM plans to bring twenty different EVs to market by 2023. When asked how GM would be successful in working with other companies on EV charging infrastructure plans, Ableson said,

“There are lots of entities out there ... that are willing to invest in infrastructure, and so we recognized that in order to make sure we got sufficient EV charging infrastructure out there fast enough, we were going to have to start working very actively with these companies."

Click here to view the Axios article and the reporter’s takeaways from the interview.

Multi-State HOS Waiver in Play
Louisiana Clarification from FMCSA

Due to severe flooding, Hours of Service (HOS) for drivers providing direct relief assistance to the affected areas are waived.

Affected States included in this Emergency Declaration: Arkansas, Illinois, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Nebraska, Ohio, Oklahoma, South Dakota, Tennessee, West Virginia and Wisconsin. Click here for the declaration. FMCSA also announced it will not enforce the Temporary Operating Authority Registration fee for carriers requesting temporary authority to provide direct assistance to the affected areas. Click here for more information.

Following communication from the Louisiana Oil Marketers and Convenience Store Association and PMAA, this confirmation was issued regarding HOS within the state.

House Lawmakers Introduce Bill to Fix Retail Glitch in GOP Tax Law

This week, Reps. Jimmy Panetta (D-CA) and Jackie Walorski (R-IN) introduced H.R. 1869, the “Restoring Investment in Improvements Act,” which would fix the error in the Tax Cuts and Jobs Act (TCJA), known as the "retail glitch," which has affected when retail stores can deduct the costs of their renovations. Unfortunately, an error occurred when the final text of the TCJA was drafted that makes retailers ineligible for the benefit of 100 percent bonus depreciation for qualified improvement property acquired and placed into service after September 27, 2017. The bill is a companion measure to the bill that Sens. Pat Toomey (R-PA) and Doug Jones (D-AL) released in the Senate earlier this month.

Section 168 of the old tax law had three individual categories of qualified improvement property: leasehold improvement property; retail improvement property; and restaurant improvement property. Each category had a 15-year Modified Accelerated Cost Recovery System (MACRS) recovery period, meaning property could depreciate over the course of 15 years. To simplify the tax code, tax writers combined the three above categories into one category called “qualified improvement property” in the TCJA and meant to designate it with a 15-year recovery period. The intent to designate this 15-year recovery period was explicitly stated in the conference agreement. However, when the final bill was written, the 15-year recovery period was accidentally omitted from the text by tax writers, and the recovery period then defaulted to 39 years.

The omittance was a serious mistake because to benefit from 100 percent bonus depreciation, there must be a MACRS recovery period of 20 years or less. Without the inclusion of the 15-year recovery period:

• Recovery period increases from 15 years to 39 years
• Retailers no longer qualify for bonus depreciation
• In the old law, retailers qualified for 50 percent bonus depreciation.

The retail glitch issue is among many "technical corrections" that Republicans have been looking to pass quickly, however, the corrections will need the backing of Democrats. Unfortunately, Democratic leaders have not been interested in making these technical corrections anytime soon because many aren't eager to make corrections to a GOP tax law. The legislation to fix the retail glitch comes as House Ways and Means Committee Chairman Richard Neal (D-MA) said this week that an upcoming committee markup would cover retirement and tax administration issues, making no mention of technical corrections. Chairman Neal added that renewals of expired tax breaks, known as extenders, will most likely be part of a separate negotiation.

PMAA supports the Qualified Improvement Property (QIP) Coalition which is behind the effort to fix the burdensome retail glitch.

IPCA Becomes Indiana Food & Fuel Association

The Indiana Petroleum Marketers and Convenience Store Association officially changed its name on Wednesday to the Indiana Food & Fuel Association.

"Since our founding in 1922, our organization has kept pace with the times, modifying our name on four separate occasions to meet the changing needs of our customers and the changes occurring in our industry," said Trout Moser, President of National Oil in Bluffton, IN. "Today, with fueling options soon to extend beyond petroleum, and our members offering fresh, often made-to-order food, the time is right for our name to evolve yet again to reflect not only our industry today, but where we will be tomorrow," Moser said.

In addition to the name change, the rebranded association announced a number of new member programs, including an "Alexa" type hotline which guarantees to begin resolving member questions within 30 minutes, a UST cloud-based compliance program, a refreshed retail launch of the popular Chill Indiana bags, and a member grassroots effort that fully encompasses both owners and employees.

"The most important aspect of our name change is the addition of a tag line which is, *Conveniently Serving Our Communities*," said Scot Imus, Executive Director of Indiana Food & Fuel. "While our member businesses have become multi-dimensional, the one aspect that unites all of them is their convenient service to local communities."

The group began in 1922 as the Indiana Independent Petroleum Marketers and evolved over the years. In 1963, it became the Independent Oil Marketers Association; in 1975, the Indiana Oil Marketers Association and finally in 1993, the Indiana Petroleum Marketers and Convenience Store Association.

Please Take the Time Now to Register, Reserve Your Rooms and Make Your Final Plans Now for PMAA's Washington Conference and Day on the Hill

PMAA's annual Washington Conference and Day on the Hill will be held in our Nation's Capital of Washington, DC from May 8-10. Our industry continues to have dozens of important legislative and regulatory issues to discuss and the Day on the Hill continues to be the primary focus of this conference.

The meeting will begin with an Opening Session / Issues Briefing and Region meetings during the afternoon of May 8. Our welcome reception, including our fun and popular PAC silent auction fundraiser in a new format, concludes the day! On the morning of May 9, marketers will head to Capitol Hill for visits with their Congressional delegations after a buffet breakfast and issues briefing for those who were not able to attend the opening session. ***Please make your Congressional appointments soon!*** There will be a hospitality suite and luncheon on the Hill. On the evening of May 9, we will honor our 2019 PMAA Chair Sharon Peterson. Our conference will conclude after the PMAA Board of Directors meet on May 10 following a buffet breakfast and committee meetings.

Please click here for our *event website* for all details and registration with secure event payment processing through Cvent. **We are expecting our largest attendance with over 250 hotel reservations and more than 150 members registered!** *We encourage you to register for the meeting prior to making your travel arrangements and to make room reservations at your earliest convenience.* **Please do not delay as we anticipate a waitlist for registration.** May is a peak month here in Washington, DC where hotels book quickly and there are many citywide events also going on during our conference. It is your chance to make a positive difference for our industry! Please make your final plans now to attend this important and productive conference to meet with your members of Congress and network with other marketers from across the country!

We look forward to welcoming you to DC in May!

Federated Insurance Risk Management Academy[SM] Offered April 23-25, 2019

Federated Insurance is offering complimentary risk management training for petroleum marketers on April 23-25, 2019. Through this valuable session, you will discover methods you can use immediately to help protect profits by reducing risk at your business.

Companies that are the most successful at controlling losses and protecting profits have integrated risk management into their overall company culture. Many have designated a key

person as their risk manager. This person is supported by top management and is both responsible and accountable for identifying loss exposures and implementing risk management solutions.

This seminar's objective is to help your risk manager learn the exposures specific to the petroleum industry, connect with peers from across the country and apply these best practices within your business.

"Attending this training is one of the best investments you can make to help protect your business and its bottom line!" 2018 RMA Attendee

You can learn more by viewing a brief video about the Risk Management Academy. To reserve your spot in the upcoming session or for more information, please contact Royetta Spurgeon or (800) 533-0472 Ext. 455-5604 or visit Federated's website. **Federated is a PMAA Corporate Platinum Partner.**

Have You Considered Marketing Your Product or Service in PMAA Online Buyers' Guide?

PMAA is proud to provide its members with this exclusive, easily accessible, year-round, valuable resource! The PMAA Buyer's Guide (the "Guide") features updated and expanded company and product listings, in addition to other valuable information relating to the petroleum marketing industry. The *Guide* provides users with an efficient way to browse for goods and services and offers petroleum marketing suppliers and companies exceptional visibility by showcasing their products and services to a targeted, industry-specific buyer group.

PMAA has partnered with Overland Park, Kansas-based Strategic Value Media, a leading nationwide provider of print and digital media solutions to national, state and local trade and membership associations, as the exclusive publisher and advertising sales agent for the PMAA Buyers' Guide.

"This comprehensive *Guide* offers access to a vast network of industry suppliers," said Rob Underwood, President of PMAA. "We're pleased to offer such a needed resource, which will greatly assist industry professionals in making educated purchasing decisions throughout the year."

The *Guide* has been accessible on the Home Page of the PMAA website since its launch in the spring. We encourage you to take advantage of this exceptional opportunity to highlight your products and services. To learn more about advertising your products or services in the *Guide*, please email Strategic Value Media.