PMAA WEEKLY REVIEW

*****Please Note: PMAA will not be publishing a Weekly Review on Friday, December 27th*****

December 20, 2019 **WR-18-48**

EPA Issues Final 2020 RFS Blending Volumes

Yesterday, the EPA released the annual renewable fuel blending volume obligations (RVOs) for 2020 as required under the RFS program. The 2020 corn ethanol blending mandate will remain at the 15 billion-gallon maximum statutory limit set by Congress. Biodiesel RV0s for 2021 were set last year at 2.43 billion gallons and remain unchanged. The EPA increased requirements for cellulosic ethanol blending by 9 percent to 590 million gallons, bringing the total 2021 advanced biofuel requirement to 5.09 billion gallons. In addition, the rule, EPA said it would once again use its general waiver authority to lower the volumes of cellulosic biofuels, advanced biofuels, and total renewable fuels below the statutory targets.

Also included in the final rule is a new provision that requires large refiners to recapture blending volumes lost to small refiner exemptions (SREs) from RFS. The EPA issued 85 SREs for the 2016-2018 compliance years, reducing the statutory RVO blend volume by 4.04 billion gallons. Previously, the EPA had no mechanism to recapture and reassign lost volumes.

Under the new rule, the Agency will not recapture and reassign ***actual*** renewable blending volumes lost to SREs in any given year. Instead, the EPA will project an ***estimated*** displaced volume based on the Department of Energy's (DOE) SRE recommendations averaged over the previous three years. The EPA's calculation will include displaced volume from partial waivers recommended by the DOE in the past even though the agency issued only full waivers to small refiners. Renewable fuel producers oppose the EPA formula because it will result in far fewer recaptured gallons than actually displaced by small refinery exemptions.

In related news, the EPA withdrew a rule that would have reset the statutory RFS blend volumes established by Congress. The EPA has the authority to reset RVOs if it misses the statutory volumes by more than 20 percent for two consecutive years. Renewable fuel producers supported the reset because it opened the possibility to increase the RVO for corn ethanol past the current 15 billion-gallon maximum limit while refiners hoped for the opposite.

Annual RVO Comparison Chart							
	2015	*2016*	*2017*	*2018*	*2019*	***2020***	***2021***
Cellulosic biofuel	*123 m/gal*	*230 m/gal*	*311 m/gal*	*288 m/g*	*420 m/g*	***590 m/g***	***n/a***

Biomass-based diesel	*1.73 b/gal*	*190 b/gal*	*2.0 b/gal*	*2.1 b/g*	*2.1 b/g*	***2.43 bill gal***	***2.43 bill gal***
Advanced biofuel	*2.88 b/gal*	*3.61 b/gal*	*4.28 b/gal*	*4.29 b/g*	*4.92 b/gal*	***5.04 bill gal***	***n/a***
Total renewable fuels	*16.93 b/gal*	*18.1 b/gal*	*19.28 /gal*	*19.29 b/g*	*19.2 b/g*	***20.04 bill gal***	***n/a***

Congress Approves Tax Extenders/Government Spending Package
Biodiesel Credit is In and EV Credit is Out!
Tobacco21 in Spending Bill

This week, Congress approved a $1.4 trillion government spending bill along with a tax extender's package which included a **retroactive extension of the $1 per gallon biodiesel blender's tax credit through December 31, 2022**. The White House is expected to sign the legislation into law today. A retroactive multiyear extension of the biodiesel blender's tax credit is a significant win for PMAA, NATSO, NBB, NACS, NEFI, SIGMA and the Advanced Biofuels Association.

Additionally, in a major victory for PMAA, the **tax extenders package does not include an extension of the $7,500 electric vehicle tax credit.** PMAA adamantly opposed the EV tax credit extension during its "DC Conference/Day on the Hill" and also wrote in opposition earlier this year. According to a recent study, the EV tax credit alone would cost taxpayers as much as $15.7 billion, and it would only benefit a few companies who have already hit their EV targets as well as individuals making over $100,000 per year. The Trump Administration warned lawmakers if they tried to include the EV credit in the extenders package, it could kill the whole deal.

Also included in the tax extenders/gov't spending package:

- **The legal tobacco purchasing age would be raised to 21.** Within 180 days of the bill's enactment, the Department of Health and Human Services must issue a final rule that changes all references to the minimum age to purchase tobacco products in the Federal Code from 18 to 21. A final rule must go into effect within 90 days from when it is published.

- **The Oil Spill Liability Tax (OSLT) would be renewed on a prospective basis through December 31, 2020**. The nine cents per barrel OSLT tax is imposed on crude oil at the refinery gate. Proceeds from the OSLT go into a trust fund used by the Coast Guard to pay for clean-up after accidents like oil spills. ***The effective date of the OSLT will go into effect on January 1, 2020.*** This represents a victory for PMAA after it urged Congress earlier this year to renew the OSLT on a prospective basis rather than making it retroactive.

- **The Alternative Fuel Infrastructure tax credit would be retroactively renewed through December 31, 2020**. Specifically, fueling equipment for natural gas, propane, liquefied hydrogen, electricity, E85, or diesel fuel blends containing a minimum of 20% biodiesel installed from December 31, 2017 through December 31, 2020, is eligible for a tax credit of 30% of the cost, not to exceed $30,000.

- **The residential energy efficiency tax credit would be retroactively renewed through December 31, 2020** for water heaters, furnaces, boilers, heat pumps, building insulation, windows and roofs.

- **The Low-Income Home Energy Assistance Program (LIHEAP)** would receive a modest increase of $50 million bringing the total funding for FY2020 to $3,740,304,000.

- The "Setting Every Community Up for Retirement Enhancement (SECURE) Act of 2019" is also included which is comprised of a number of relatively small improvements which taken together should improve the qualified retirement plan system. The Small Business Legislative Council will have a full report later.

- **Permanent repeal of Obamacare's "Cadillac tax" on high-cost employer health plans, as well as the health insurance tax and medical device tax** which were originally approved as part of the healthcare law to fund its coverage expansion.

- Wind production tax credit would get one-year extension at existing rates.

The tax extender/government spending passage marks the end of a busy month in Washington, DC. Last week, Congressional leaders and the White House agreed to a new US/Mexico/Canada trade agreement and the White House struck a tentative trade deal with China.

Natural Resources Chair Introduces Net-Zero Climate Change Legislation

On Tuesday, Chairman Raúl Grijalva (D-Ariz.) and leaders from the Natural Resources Committee released H.R. 5435, *The American Public Lands and Waters Climate Solution Act*. The Act is a consequence of the 22 hearings the Committee held this year focused on climate change, which would direct the Department of the Interior (DOI) and the United States Forest Service (USFS) to achieve net-zero greenhouse gas emissions from public lands and waters by 2040.

Original cosponsors of the legislation include Vice-Chair Deb Haaland (D-N.M.), Rep. Alan Lowenthal (D-Calif.), Chair of the Subcommittee on Energy and Mineral Resources, Rep. Mike Levin (D-Calif.), Rep. Gregorio Sablan (D-CNMI), Rep. Donald McEachin (D-Va.), and Rep. Diana DeGette (D-Colo.). The bill would pause all new federal fossil fuel leasing for a minimum of one year to allow DOI to develop a comprehensive emission reduction strategy. Leasing can only

resume after DOI finds that it would be consistent with reaching net-zero by 2040, and then only within limits established by 4-year strategic plans.

DOI and USFS must meet climate pollution reduction targets at specific intervals starting in 2025 and publish strategic plans every four years that detail how the agencies would meet the pollution reduction targets established by the legislation. The bill increases the minimum royalty rate for onshore coal, oil, and gas from 12.5 percent to 18.75 percent.

Other provisions of the bill include:

- **Calculating Net Emissions**: Would make the U.S. Geological Survey responsible for tracking emissions from the development and combustion of oil, gas, and coal produced on federal leases, as well as the emissions avoided by renewable energy generation on public lands, the amount of carbon absorbed by ecosystems on public lands, and any carbon dioxide captured and permanently sequestered on public lands.
- **Enforcement:** If at any point the climate pollution reduction targets are not being met, no new fossil fuel permits or leases may be issued until compliance is reached.

Grijalva expects that the bill would be combined into broader climate legislation the House might consider in 2020. Of course, the bill is dead on arrival in the Senate.

Highway Bill Still a Possibility for 2020

Congress could consider an infrastructure package in 2020, especially if they can get past the "pay-fors" that have been a huge stumbling point. This week Senate Finance Chairman Charles Grassley (R-Iowa) said that a five-year surface transportation could be on the Senate floor next year since his staff are finalizing a set of transportation pay-fors that could enable Majority Leader Mitch McConnell (R-Ky.) to bring a highway program to the Senate floor soon after the President Trump impeachment trial ends. Grassley is considering putting together a tax package that will raise $113 billion.

Senate Republican Conference Chairman John Barrasso (R-Wyo.), who chairs the Environment and Public Works Committee, said his committee's highway bill, (S. 2302) could come to the floor soon afterwards. In all, $287 billion would be authorized as the $113 billion in extra pay-fors would augment taxes that already support surface transportation programs.

Of particular concern for PMAA, Section 1401 of Barrasso's *America's Transportation Infrastructure Act (ATIA)* would create a $1 billion grant program for states to deploy electric vehicle, hydrogen and natural gas vehicle charging stations along designated alternative fuel corridors. PMAA is concerned that the grant program does not provide for the equitable distribution of funds or account for other investment required for infrastructure changes that may be needed to accommodate EV and alternative fueling equipment such as upgrades to site utilities, adding land, and expanding paved areas and operating costs. In addition, the focus on alternative fuel corridors will result in a preference for grants to companies that have multiple

sites distributed along major transportation routes. As with other grants for alternative fuels, small to medium c-stores will be placed at a competitive disadvantage.

On the House side, Transportation and Infrastructure Committee Chairman Peter DeFazio (D-OR) said this week that progress on the highway bill shouldn't be delayed by the January Senate trial. DeFazio supports a short-term gas tax increase as a bridge to solve the nation's infrastructure funding woes given that a national shift to a vehicle miles traveled (VMT) is unlikely to be feasible for another decade. A VMT is a user fee based on miles traveled that can possibly be tracked by phone apps, in-car diagnostic systems or by other means. DeFazio also re-iterated that he supports "de-fossilization" and will have "a major electrification title" in the House package and "resilient infrastructure provisions to protect roads, bridges, and other transportation infrastructure from increasingly severe weather events."

FDA Approves New Tobacco Products

On Tuesday, the Food and Drug Administration (FDA) endorsed two new types of tobacco products that are manufactured by 22nd Century Group Inc. Moonlight and Moonlight Menthol, which are combusted, filtered cigarettes that contain roughly 95% less nicotine than standard cigarettes, will be authorized to be sold after the FDA reviewed the products.

Click here to view the FDA press release on the products.

PMAA Member Services Spotlight Featuring: National Purchasing Partners (NPP)
Introducing New Airgas Program

Airgas
an Air Liquide company

Access exclusive savings on a wide variety of safety equipment, industrial gases and welding supplies from Airgas and National Purchasing Partners. NPP is a member benefit provider of PMAA offering members savings on products and services you use every day.

Make Airgas your single source supplier for pH control solutions, process chemicals and more. There are more than 1,100 Airgas locations nationwide for comprehensive logistical support and expertise. Airgas EPA protocols are prepared and analyzed in strict accordance with the most current guidelines.

Enroll your business for FREE here. Start saving!

Restrictions may apply.

PMAA Platinum Partner Spotlight Featuring: Meridian Associates, Inc.
Can Petroleum's Next Family Generation Survive?

With the proliferation of powerhouse regional petro players, I'm often asked if there will be a place for the small family company in the next century. After attending our Focus on Competitive Advantage event, my answer is a strong 'YES!"

My answer, however, is not solely based on a room full of super bright, super driven Next Gens that inspired me. It is based on my experience as a bank VP before even founding Meridian back in 1991.

What can you do to ensure Next Gens will be successful? Take a look at the seven steps by clicking here. To learn more about **PMAA's Corporate Platinum Partner, Meridian Associates**, please visit or contact them at 800.728.9005.

Federated Insurance: It's Your Life
Changes May Require a Review of Your Plans

As the holiday season approaches and we prepare for gatherings of family and friends, many of us take this as an opportunity to reflect on things that have happened in our lives over the past year. The birth of a child or grandchild, the loss of a loved one, weddings, a new job, or retirement are just a few of the changes you may have experienced. In addition to how these events impacted your personal life, have you considered how they may have affected your financial life, including your family and business succession plans? If the makeup of your family or the ownership of your business has changed recently, you may want to consider several questions. Please read these questions, please view the article here.

For additional information or to discuss this in further detail, please contact your Federated regional representative or PMAA's National Account Executive Jon Medo at 800.533.0472. **Federated is a PMAA Corporate Platinum Partner.**

Check Out PMAA Journal Anytime Online

Did you know that you can view our Journal online? You can find our Fall Issue online now! (It is on your way to your mailboxes now!) In addition to its printed version, PMAA Journal has been available in a new and improved digital format! Now the magazine can be easily viewed on any device, whether smartphone, tablet or computer screen. Scroll vertically through all the content in the magazine and easily select individual articles to read or share via the buttons at the top.

Want to see past issues? They can be found on the left side of your browser screen (or the top of your mobile device's window) - just one click and they're at your fingertips! Additionally, the flipping-page digital version is still available and easily accessible through the menu bar in the upper left corner.

For information on advertising in this valuable format, please call 844.423.7272 or email Innovative Publishing.

Season's Greetings with All Best Wishes for the New Year from the Petroleum Marketers Association of America!

It has been another busy year for PMAA! PMAA continues to accomplish a great deal. We achieve these goals with the support of YOU, our State Associations and members! PMAA's mission continues to be to nationally unify petroleum marketers through their state and regional associations in order to effectively further the common business interests of the petroleum marketing industry on the legislative and regulatory issues. We will continue to be instrumental in fighting the many petroleum issues and defending your interests in Washington, DC before the U.S. Congress and the Trump Administration.

Please continue to visit our website, follow us on Twitter and Facebook and be sure to take a look at #FuelMatters and follow the conversation.

We are truly grateful for your continued support and extend to you our best wishes for a happy, healthy and prosperous holiday season and New Year.