Small Retailers COALITION

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Testimony – Bill Douglass – Small Retailers Coalition
August 1, 2017 EPA Hearing on Renewable Fuel Standard Program Standards for 2018 and Bio-mass Based diesel Volume for 2019

Good Morning!

My name is Bill Douglass and I chair the" Small Retailer Coalition".

Our family has a Petroleum Distributorship in North Texas, which also operates 22 Convenience stores with fuel.

I represent the small, primarily single store retailers who operate 75% of all the convenience stores and gas stations in America.

The small retailers are not represented in the RFS program since all of the retail input has come from the major trade associations like: NACS, SIGMA, NATSO, and API.

The major trade associations are dominated by the big dues paying chains like WAWA, SHEETZ, RACETRAC, PILOT, Murphy, Marathon, and in the case of the API, big oil.

I would like to share our dilemma which has been created by the present "point of obligation" in the RFS Program.

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Our economy thrives on competition. Think up a better ways to build an I-phone, people will buy it, the web has provided an efficient shopping experience without leaving home, and so it goes, in our free market economy.

Businesses compete, with the Value Added ones, making money and the consumers benefit. It has produced the world's leading economy!

Our small retail business sells gasoline and diesel plus food and drinks. The fuel sales drive the customer traffic. We price the fuel competitively to insure a steady stream of customers.

Our profit margins fluctuate with the market and seasons but, in the end you trust you are playing on a level playing field with the other retailers in town.

Been that way for generation's, until the last few years, when our government changed all that. The trigger was the RFS Program. Now the EPA decisions tilt the playing field against the small retailer.

We call what's happening "RIN Sanity", because if you are a small retailer and cannot access the" Rack "for blending, like the big chains, you gain nothing but damage from the RIN market.

Now our big retail competitors, who are unobligated recipients of RINS, use this windfall to undercut us small competitors retail price to gain market share and profits. In the market today the free, unobligated RINS

Allow the big retail blenders to make 8 to 15 cents per gallon more than the small operators. Murphy has even published how this activity gives them 30 to 50 cents per gallon advantage over their competition.

In spite of the statements by the associations that everyone could play in this unobligated RIN game, it is not so!

The capital investment and volumes required to get “UP ON THE RACK” make it impossible for the small operator participate in the RIN game, hence our term RIN sanity. Also, particularly relevant for this proposal, there is just no way for a small retailer to cost effectively access to the constituent fuels for slash blending bio fuels.

Trading in RINs also takes access to the physical flow of RINs, significant capital investment to secure a trading account and access to counter-party acceptance.

In conclusion, unless the “point of obligation” is moved to the Rack, the small retailer will be squeezed out in the near future.

The playing field is currently tripped toward the big retailers and unless the EPA will bring fairness and allow level competition back to the retail fuel market, the small operators will gradually disappear.