STATE OF DELAWARE
OFFICE OF THE GOVERNOR
TATNALL BUILDING, SECOND FLOOR
MARTIN LUTHER KING, JR. BOULEVARD SOUTH
DOVER, DELAWARE 19901

JOHN CARNEY
GOVERNOR

PHONE: 302-744-4101
FAX: 302-739-2775

January 30, 2018

The Honorable Scott Pruitt
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Petition for RFS Waiver Under CAA Section 211(o)(7)(A)(i)

Dear Mr. Pruitt:

As Governor of the State of Delaware, please let this serve as my request that you exercise the waiver authority contained in Clean Air Act Section 211(o)(7)(A)(i) to reduce the nationwide renewable fuel volume mandates in order to provide relief to the refiners in Delaware and elsewhere grappling with tremendous operational impediments due to the current and proposed volume mandates. This request is based upon the detrimental effect that that the high costs of compliance associated with the Renewable Fuels Standards ("RFS") will have on the refinery industry both in Delaware and throughout the rest of the regional Mid-Atlantic economy.

Pursuant to CAA Section 211(o)(7)(A)(i), the United States Environmental Protection Agency ("EPA") has the broad authority to grant a waiver to RFS, in whole or in part, upon a determination that "implementation of the requirement would severely harm the economy or environment of a State, a region, or the United States." I kindly request that you consider reducing volumes to a level that will allow Delaware refineries to avoid the severe economic harm that would be caused by compliance with the high costs of purchasing Renewable Identification Numbers ("RINs") to comply with the RFS.

The 2018 mandates will undoubtedly "severely harm" the State of Delaware, the entire Mid-Atlantic region, and the national economy because of the extremely significant and unreasonable compliance costs associated with RINs that will be placed on petroleum refineries. RINs prices are approximately 1 dollar per gallon after trading for prices in the mid-30 cents per gallon range earlier this year - a 200 percent increase. The sharp and significant increases in costs to the refinery industry will directly lead to devastating job losses in Delaware and throughout the region. A waiver is necessary to not only preserve the steady refinery industry jobs in Delaware, but to also maintain affordable, reliable fuel supplies for consumers and preserve refining capacity in the U.S.

In a letter to you last year, I outlined how Delaware's central location in the Mid-Atlantic, between major cities like New York, Philadelphia, Baltimore, and Washington D.C., and its proximity to major shipping lines in the waters off the eastern seaboard, allows our refinery industry to be a reliable source of jobs here in Delaware. It is also an economic engine for the state and region. The Delaware City refinery has 560 full-time employees, with typically an additional 250-300 contractors. The plant can employ as many as 2,000 more craft workers during major maintenance periods known as "turnarounds." Without their presence here, hundreds of Delawareans would be without a job.

But, the Delaware City refinery simply does not have the large terminals and distribution infrastructure to blend ethanol into gasoline, so it is required to buy credits from integrated oil companies that have such advanced capabilities and, thus, have excess credits. Due to this flawed system, Delaware's only refinery incurred over $90 million in RIN costs last year.

The vast majority of other refineries on the East Coast face a similar situation. After spending more than $250 million on RINs, Philadelphia Energy Solutions ("PES") was forced to eliminate jobs and cut employee benefits. The job losses that already occurred have a significant multiplier effect that have resulted in economic harm to the Mid-Atlantic region. And, just this week, PES filed for Chapter 11 bankruptcy due to the significant financial strain of complying with its RIN obligations. Delaware cannot afford the severe economic harm already occurring from RIN costs to spread any further.

Finally, recent experience highlights the need for regional diversity of refining capacity to prevent severe economic harm. Given the previously mentioned fuel supply constraints on the East Coast, Delaware and the Mid-Atlantic experienced fuel price spikes of over 25 cents per gallon when Hurricane Harvey took out 17 percent of the nation's refining capacity in the Gulf Coast. Gulf Coast refiners provide a significant portion of the East Coast's fuel supply via Colonial Pipeline. The post-hurricane price spikes would have been even more severe without the presence of the East Coast refining complex. The threat of skyrocketing RIN costs on East Coast refiners could make the constant potential for fuel supply disruptions and price spikes in an emergency a permanent risk for severe economic harm.

We need a Renewable Fuel Standard policy that truly balances both the needs of our economy and our environment. It is important that we work to reduce the United States' dependence on foreign oil by crafting policies that work to both stabilize the RIN market and ensure that independent refineries here in Delaware and the Mid-Atlantic continue to remain strong. For all the above reasons, I respectfully request that you exercise your waiver authority to reduce the renewable fuel mandates pursuant to Section 211(o)(7) of the CAA. This decision will help ensure that Delawareans keep their jobs, provide for their families, and make our economy stronger than ever.

Please do not hesitate to contact me if you have any additional questions or concerns.

Sincerely,

John C. Carney

John C. Carney
Governor