MECHANICAL & SERVICE CONTRACTORS ASSOCIATION OF EASTERN PENNSYLVANIA
MAINTENANCE - HVAC - INSTALLATION - PLUMBING - PIPING - REFRIGERATION

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April 27, 2021

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

Dear Administrator Regan:

I write today on behalf of the Mechanical and Service Contractors Association of Eastern Pennsylvania (M&SCA of Eastern PA) regarding the pressing need for the Agency to act swiftly in granting petitions that several governors submitted to partially waive the federal Renewable Fuel Standard (RFS) volume mandate in order to prevent severe economic harm throughout the nation, and in the Northeast and Mid-Atlantic regions in particular. I also urge you to propose a 2021 and 2022 RFS standard that ensures that the cost of RFS compliance credits, otherwise known as Renewable Identification Numbers (RINs), remains in check to help protect American merchant refining jobs, as well as the hundreds of thousands of jobs and families they support. These actions are urgently needed to reduce the skyrocketing cost of RINs. Granting the waiver requests and setting a reasonable standard moving forward is necessary to protect manufacturing jobs in Pennsylvania, Delaware, New Jersey and across the nation.

In my capacity as Executive Vice President of M&SCA of Eastern PA - a contractor trade association representing more than 70 contractors engaged in the mechanical and plumbing construction and service markets in your state – I witness firsthand the thousands of high-paying jobs the domestic refining industry provides our members. When refineries invest in new capital or major maintenance projects, they typically employ an additional 1,000 or more skilled craft workers. However, wildly volatile and often excessive RIN prices have curtailed some of these substantial investments, and they have even contributed to at least one refinery bankruptcy in the recent past. The current run up in RIN prices is once again putting domestically produced fuel supplies and our members' jobs at serious risk.

The massive fuel demand decreases attributable to the COVID19 epidemic devastated American refiners last year, forcing many to take unprecedented measures. Eight refineries responsible for tens of thousands of jobs and nearly a million barrels per day of refining capacity permanently closed or announced closure. As refiners struggled to stay afloat among slumping demand and massive financial losses because of the pandemic, RIN prices skyrocketed, climbing from under ten cents at one point last year to over one dollar and thirty recently, ***a greater than 1500% increase***.

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It is important to note that runaway RIN prices did nothing to increase the percentage of biofuels blended into the nation's fuel supply, which U.S. Energy Information Administration data notes remained relatively unchanged in 2020 from 2019 levels. If RIN costs do not subside substantially soon, there is the very real possibility that another million barrels per day of refining capacity will be put at risk and will not come back online. This is concerning at any time, but it's even more so now as we continue to claw our way back from the depths of the pandemic. Our country's demand for gasoline, diesel and jet fuel continues to grow, and it's needed to propel our economy through the recovery and beyond.

If domestic refining capacity continues to decrease because of facility closures while the need for transportation fuels remains, the demand will have to be met with fuel imports from overseas; produced at refineries not adhering to the United States' rigorous environmental standards. The expansion and construction of export refineries in China, India, and the Middle East continues today and these countries will happily displace U.S. refineries and our jobs, certainly a national security concern. Given these realities, it is imperative to take action now to ensure domestic fuel supplies and union jobs are not put at continued risk.

The previous Administration set last year's volume obligation well above the amount of biofuels that could possibly be blended into the fuel supply given economic conditions, as well as vehicle and infrastructure constraints. As a result, while the percentage of biofuels blended into the fuel supply last year remained essentially unchanged from the previous year, it fell 800 million gallons short of the overly aggressive requirement that was established. This shortfall cannot be made up either retroactively or this year, when fuel demand is up compared to last year, but still short of 2019 levels.

Last year, Pennsylvania Governor Wolf joined a bipartisan group of governors, city mayors and the National Wildlife Federation in petitioning the Agency to waive the RFS requirements down to levels reflecting the amount of ethanol that can actually be blended into the fuel supply given engine and infrastructure limitations. That request is more pressing than ever today, as record high RIN costs in the face of continued weak fuel demand hold the potential to cause yet additional refinery closures.

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I write today urging immediate action necessary to prevent RIN prices from becoming the straw that breaks the back of independent American refiners in crisis. I urge you to grant the governors' waiver requests and set reasonable RFS standards moving forward to protect the union jobs and American families that President Biden has continuously fought for throughout his career.

Sincerely,

Jim Dougherty
Executive Vice President
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