United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry of the United States and Canada

Three Park Place • Annapolis, Maryland 21401
(410) 269-2000 • Fax (410) 267-0262 • http://www.ua.org

Founded 1889

Mark McManus
General President

Patrick H. Kellett
General Secretary-Treasurer

Michael A. Pleasant
Assistant General President

General Office File Reference:MM

February 22, 2017

The Honorable Scott Pruitt, Administrator
Environmental Protection Agency
1200 Pennsylvania Ave, NW
Washington DC 20460

Dear Administrator Pruitt,

I am Mark McManus, General President of the United Association of Plumbers, Steamfitters and Pipefitters for the United States and Canada. A large percentage of our 340,000 members work in the domestic refining industry across the U.S., building, maintaining, and servicing these highly complex facilities on a daily basis. The United Association, in conjunction with North America's Building & Construction Trades Unions, has a well-established presence in many of these refineries, in some cases for more than 100 years.

I am writing to express my concerns with the Renewable Fuel Standard (RFS), which is stewarded by the Environmental Protection Agency (EPA) under the Energy Independence and Security Act of 2007 (EISA). The RFS mandates blending of ethanol and other biofuels into gasoline and distillates. The RFS also identifies refiners and importers as obligated parties and requires them to meet specific annual blending quotas, Renewable Volume Obligations (RVOs). Our concern is primarily with merchant refiners that are unable to meet their RVOs.

The EPA has put merchant refiners in jeopardy because most have little or no blending capability; therefore they are unable to influence the amount of biofuel blended; in other words, they are unable to meet their obligation, so they are required to purchase RINs in an unregulated, non-transparent, and illiquid market that has been subject to volatility and fraud. They often buy RINs from competitors and non-obligated parties, which is a form of economic double jeopardy. We support moving the point of obligation to the "rack seller" because the program would then work efficiently and American jobs will be saved.

- The EPA failed to meet its statutorily-required deadlines for setting the 2013/14/15 RVOs. Regulatory updates can be introduced that require the EPA to comply with the statutory schedule for setting the volume obligation set by Congress under the EISA.

- Uncertainty in the unregulated, non-transparent RIN market resulted in volatile RIN prices, tied to fears of hitting the 10% ethanol blend wall and RIN shortages spiking the price of a RIN from 1 cent and 5 cents from 2008-2012, up to $1.47 in 2013.

- Volatility and uncertainty continue in the RIN marketplace, which creates winners and losers in the oil industry, without any benefit to government, the "environment," or even biofuels producers, while creating "windfall profits" for companies that are "long" RINs, including integrated refiners and non-obligated parties like large retailers.

- Congress required the EPA to base annual RVOs on estimates from the Energy Information Administration provided by October 31st of the year prior to a compliance year. Neither agency has fully complied with these requirements. More importantly, the EPA deviates from EIA estimates and chronically overestimates production of cellulosic and advanced biofuels, which are unavailable in commercial quantities, yet obligated parties are required to blend these "phantom fuels" or purchase RINs to cover their obligations.

These factors have resulted in merchant refiners spending billions of dollars to comply with their obligations. This is unsustainable - the EPA must do something to fix the economic harm the RFS is having on merchant refiners, or we will see more plants close and American jobs lost, putting families and communities in crisis. We have seen the environmental movement put pressure on our government to shackle great American industries like refining, creating an avalanche of regulations, plant closures, and the loss of millions of high-paying American jobs.

Generally, refiners facing the greatest financial risk from the broken program are on the East Coast and Mid-continent, all else being equal. The main risks to East Coast refiners are higher operating costs, significant logistical challenges in sourcing crude oil, and direct competition from large, overseas Atlantic basin refineries. Philadelphia Energy Solutions (PES) has pointed to the RFS/RINs debacle as a contributing cause of layoffs in its workforce last year.

Given that domestic fuel supply to the East Coast is already relatively constrained, closure of an East Coast refinery(s) could give rise to a significant supply shock in regional fuel markets. The Colonial Pipeline is the main artery transporting fuel from Gulf Coast refineries to the East Coast and is at capacity. If an East Coast refinery shuts down, a fuel shortage could result, as we saw in 2016 when the line shut down, because there is no additional pipeline capacity available to increase supply. Consumers will likely experience a significant price hike before the supply shortage is filled by foreign refiners within the Atlantic basin.

In the Mid-continent, smaller merchant refiners face logistical challenges because they distribute refined product via pipeline to third-party terminals. Many are landlocked, with little opportunity to export fuel overseas to avoid RIN payments. Midwest merchant refiner CVR is on record saying 2016 RIN costs were higher than salaries and energy costs combined. The Mid-continent market would also suffer supply shocks if one of their major refiners went bankrupt.

I am asking you, as the new EPA administrator, to look closely at this issue and move the point of obligation to the "rack seller," a change that would help balance program objectives while protecting the viability of merchant refiners. I applaud any effort to stop spending taxpayer money on this job-killing, failed environmental experiment, particularly over the past four years, that has been undermining our economy and could make us reliant on foreign refiners.

Thank you for considering our position on this important issue.

Sincerely,

Mark McManus

Mark McManus
General President

MM:bdh