

Summary: Regional Meeting on Fuels

On October 27, 2010, the LADCO States hosted a meeting with petroleum companies with refineries in the Midwest. A list of attendees is attached. A summary of the meeting is provided below.

Review of Midwest Air Quality: Mike Koerber (LADCO) discussed the air quality challenges in the Midwest; in particular, attainment of the air quality standards for ozone and fine particles (PM_{2.5}). For both pollutants, air quality levels have improved over the past decade due to emission reductions. Only a handful of monitoring sites still show nonattainment of the current standards. To deal with these residual problems and to meet expected new, tighter air quality standards, more emission reductions will be needed.

Review of Federal Fuel Standards: Paul Machiele (EPA, OTAQ) reviewed historical and current fuel programs. For gasoline, requirements started in 1974 with the unleaded gasoline standard and have evolved over time, such that there are now a number of requirements, including conventional gasoline (CG), reformulated gasoline (RFG), and a variety of state fuel programs. For diesel, requirements started in 1993 with 500 ppm S highway diesel fuel and have evolved over time to drive S fuel levels to 15 ppm. New programs affecting fuels include vehicle greenhouse gas (GHG) standards, the renewable fuel standards (both RFS-I and RFS-II), and Tier III. These new programs, as well as certain existing programs, will provide emission reductions into the future. For example, it was noted that Tier II will provide further NO_x benefits as fleet turnover continues. (Indiana noted that fleet turnover statistics have changed – e.g., it was 10% per year, but is now closer to 3% per year.) Finally, Paul also discussed EPA's anti-backsliding study for renewable fuels pursuant to Section 206 of the Energy Independence & Security Act 2007.

Midwest Governors Association (MGA) MGA Report on a Low Carbon Fuel Standard: Brendan Jordan (Great Plains Institute) provided a summary of the MGA process to address a low carbon fuel standard. Given that transportation makes up a significant portion of Midwest CO₂ emissions (i.e., 23%), the MGA's Energy Agreements called for, among other things, development of a low carbon fuel policy (LCFP). Over the past 18 months, a stakeholder groups with representatives from a variety of groups, including states and the oil industry, worked together on a report with recommendations for a regional and a federal LCFP. The final report is awaiting approval by the Governors.

Fuels 101: Patrick Kelly (API) gave a primer on the downstream side of the petroleum industry (i.e., refining, distribution, and marketing). He reviewed refinery locations (by PADD) and a simplified version of the pipeline system in the U.S. Other topics covered include a review of the refining process, fuels requirements since 1990, and RFS-I and RFS-II. The need for sufficient lead time to meet a new fuel requirement was noted – i.e., at least 4 years.

Discussion: Following the presentations, the group talked about the implications of new federal air quality standards and the effect of environmental requirements on the petroleum industry.

In discussing the seasonal variability of fuels for the Midwest, it was noted that having to produce a summer fuel (with lower RVP) and a winter fuel (with higher RVP) was necessary to meet vehicle performance and environmental demands.

In response to a question about having to satisfy a number of fuel requirements across the Midwest, several industry representatives noted that they had adapted to the current situation and that they were comfortable with the status quo. Moving towards a consistent regional fuel, for example, would be disruptive. Several states noted, however, that the status quo is not acceptable. Tighter federal air quality standards force them to look for more emission reductions. Under the Clean Air Act, the states are responsible for preparing clean air plans. The mobile source sector, in particular, is a candidate for reductions, because it represents a large portion of the emissions inventories.

John Melby (Wisconsin) and Vince Hellwig (Michigan) said that the states had not identified particular fuel requirements, but were interested in working collaboratively with the industry to address air quality needs. John Melby proposed having a longer-term vision for a strategy (e.g., where do we want to be in 10 years?) and suggested that a small group have further discussions.

Following a break, Bob Hodanbosi (Ohio) noted the pressures states face in meeting tighter federal air quality standards. Depending on where EPA sets the new ozone standard, the number of areas in nonattainment (and the spatial extent of nonattainment areas) could be very large. He said that the LADCO States want a process to work collaboratively with the industry. This process could get going once we know EPA's final decision on the ozone standard. In the interim, a smaller group could start to work on a framework for this process – e.g., goals, scope, and participants.

With respect to participants, Bob said that in addition to state and industry representatives, EPA should be part of the process. It was agreed that other Midwest states, including Minnesota, Iowa, Missouri, and Kentucky should also be participants.

The driver for this process is the new ozone standard, but, as necessary, consideration of other pollutants (e.g., role of NOx emissions in wintertime PM2.5 episodes) needs to be considered. Also, as part of this process, we need to understand what we can and cannot do under the Clean Air Act.

Mike Leister (Marathon) responded positively to having discussions and offered to have a future meeting at a refinery. He noted the limits to what could be done as a group, in light of anti-trust restrictions.

It was agreed that John Kerekes (API) and Mike Koerber (LADCO) should serve as the contacts for facilitating the collaborative process.