

Press briefing teleconference on EPA air rules for refineries

Howard Feldman, API director of regulatory and scientific affairs

Friday, February 10, 2012

Opening statement:

Good morning everyone. Thanks for calling in.

First, let me emphasize that America's refiners are a strategic national asset critical to our economic and energy security. They sustain hundreds of thousands of good-paying, highly skilled jobs across the country. And over the past two decades, they have invested roughly \$125 billion to make their operations safer, cleaner and more efficient in ways that have resulted in significant air quality improvements, all while competing with foreign refineries.

Today I want to focus on a wave of proposed EPA regulations that could harm America's refineries and the jobs and energy security they provide our nation. We spent much of last year focused on the out-of-cycle proposal to issue much more stringent ozone standards that, fortunately, was withdrawn. But that was just the start.

The other pending rules include EPA's Tier 3 gasoline rules, greenhouse gas rules for refineries, new source performance standards for refineries, phase III of EPA's tailoring rule, and the Boiler MACT rule.

While the specific elements for these have not all been set forth, they could constitute a veritable tsunami of added requirements that could put some refineries out of business, diminish U.S. fuel manufacturing

capacity, and increase our reliance on imported fuels. At the same time, data suggest that the environmental benefits would be modest.

Four U.S. refineries closed last year. Significant new compliance costs on top of what existing regulations have imposed would make a difficult operating environment even more challenging.

The greenhouse gas refinery rules are of great concern. Given that the Clean Air Act was simply not designed to address greenhouse gases, if EPA is going to proceed, it is critical that the process be open and transparent.

We are now past the date the agency said it would propose the new refinery greenhouse gas rules, but still without clarity on how the agency will proceed.

We believe the best approach would be to start with an **advanced** notice of proposed rulemaking on all of its forthcoming refinery rules to permit a full consideration of all ideas on how this kind of regulation could be structured. In contrast, a detailed proposal would tend to lock in an approach without a full understanding of the implications. It could result in a very costly and impractical set of requirements.

We urge the agency to go the ANRPM route, acquire more information, and pay closer attention to stakeholder concerns and potential impacts on refineries and the economy.

We're also concerned about a proposed step 3 of EPA's tailoring rule, which could impose onerous requirements on much smaller businesses

and operations, stifling business expansion and job creation that America will rely on to help strengthen its economy.

That proposal is now with OMB and hasn't been made public. We hope OMB will take an objective look at the jobs impacts of the proposal and consider whether the limited environmental benefits are worth the costs to workers and their families. This rule is not needed at this time and should be pulled back.

The boiler MACT rule is also a concern. EPA is revising the regs again. We believe they need to accommodate gas-burning facilities, recognizing the low-emission benefits, and also make allowances for refineries located on islands, which simply don't have access to natural gas supplies.

Finally, we would again call on EPA to not issue a Tier 3 vehicle emission proposal before there is a full airing of the impacts, costs and benefits of further reductions of sulfur and vapor pressure in gasoline. Although EPA maintains these changes are needed to improve air quality and fuel economy, it has not produced the data to back up its claims.

The president himself has called on federal agencies to take into account the impact of regulations on jobs and the economy. This is an opportunity for EPA to do just that. Maintaining a healthy and competitive refinery sector is vital to our energy security, our economic security and our national security. We must be sure that new regulatory proposals are necessary, practical, and fair.

Thanks. Now I'd be happy to answer your questions.