

July 31, 2014

Mr. John Podesta
Counselor to the President
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. Podesta:

On behalf of the Petroleum Marketers Association of America (PMAA), I request a meeting with you to discuss the Renewable Fuels Standard's (RFS) potential impact on independent petroleum marketing companies across the United States. While PMAA supports the use of ethanol in our nation's fuel supply, we are concerned that the push for higher ethanol blends will not fulfill the RFS corn-based ethanol mandate due to existing underground storage tank (UST) infrastructure incompatibility, weak consumer demand for the product and motorist misfueling concerns.

PMAA is a leading national trade association in the petroleum industry representing 8,000 independent petroleum marketing companies. Organized as a national federation of 48 state and regional trade associations that represent wholesalers and retailers of gasoline, diesel, heating oil, lubricants and renewable fuels, PMAA companies own 60,000 retail fuel outlets such as gas stations, convenience stores and truck stops. Additionally, these companies supply motor fuels to 40,000 independently owned retail outlets and heating oil to over eight million homes and businesses.

We are not "Big Oil." Over the last decade, major oil companies have exited the retail motor fuels marketplace. The vast majority of PMAA companies qualify as small businesses under U.S. Small Business Administration size categories. Approximately 94 percent of U.S. gas stations are owned by independent retailers represented by PMAA.

Existing Infrastructure and E15

Currently, gasoline retail infrastructure is certified to dispense and store up to 10 percent ethanol by Underwriters Laboratories (UL). Although UL has expressed "confidence" that most retailers can safely sell up to E15, they have not actually "certified" existing dispensers, piping or underground storage tanks for such use. This is a major obstacle because several federal regulations, state laws, local ordinances and insurance policies require UL certified equipment. Federal OSHA regulations require retailers to use equipment that has been listed by a "nationally recognized testing laboratory" as compatible with the fuel being stored.

Additionally, many retailers may be unable to identify the type of adhesives, gaskets and connectors used in their underground storage tank (UST) systems in order to make a reliable determination of E15 compatibility. Fire codes require UL listed equipment and very little existing infrastructure is listed for E15. Finally, the cost to replace existing equipment with higher ethanol blend certified tanks and dispensing equipment (approximately \$200,000) along with the expense associated with increased liability for potential releases and consumer lawsuits are far beyond the means of small business petroleum marketers.

Auto Manufacturers and E15 Misfueling

Auto manufacturers extend warranties on existing vehicle fleets up to E10. Most have not been willing to amend their warranties to handle blends above E10 because tests have shown E15 could damage engines, fuel pumps and other system components. This position did not change after EPA approved E15 for 2001 and newer vehicles. PMAA is also concerned that if an owner of a pre-2001 vehicle misfuels with E15, the retailer would be held liable for damage to engine and emission system components.

Demand for E85 Not Meeting Expectations

Several PMAA member companies marketed E85 in recent years, but many have now pulled the product due to weak consumer demand. This is due to the relatively few flex fuel vehicles (FFVs) on the road to make a modest return on investment. Only 10.7 million FFVs existed in the US in 2012, representing just 4.7 percent of the light duty vehicle market. These 10.7 million vehicles averaged fewer than 20 gallons of E85 per vehicle for the entire year. In some cases, FFV motorists might not even know that their vehicle can run on E85. Additionally, E85 must be priced at least 30 percent lower than conventional gasoline for motorists to receive similar energy content at a competitive price given that ethanol has a lower BTU energy content compared to conventional gasoline.

PMAA member companies will continue to support the use of ethanol in our nation's fuel supply, however, until higher ethanol blend barriers are addressed, our members will be reluctant to sell the product.

We would really appreciate a meeting with you to discuss our concerns in detail.

We look forward to hearing from you.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dan Gilligan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Dan Gilligan
PMAA President