COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR

November 2, 2018

The Honorable Andrew Wheeler
Acting Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

RE: Petition for RFS Waiver Under CAA Section 211(o)(7)(A)(i)

Dear Acting Administrator Wheeler:

By letter dated November 2, 2017, I petitioned EPA to exercise the waiver authority in Clean Air Act Section 211(o)(7)(A)(i) to reduce the nationwide renewable fuel volume mandate in order to address the economic difficulties faced by refiners in Pennsylvania and elsewhere in complying with this mandate. As I noted in that petition, the request was "based upon the high cost of compliance with the Renewable Fuel Standard (RFS) and the impacts these costs have on the continued viability of the oil refining sector in the Northeast, as well as on the local and regional economies."

Since filing that petition, and despite significant criticism from stakeholders on all sides of the issue, EPA has taken no meaningful action to address the hardship being caused by the RFS. Instead, shortly after I filed my initial petition, EPA finalized its 2018 mandate, and actually increased the total fuel requirement by 10 million gallons relative to the 2017 level. EPA is currently finalizing volume requirements for 2019, which it has proposed to increase by an *additional* 590 million gallons, which will equate to another financial burden on Pennsylvania's refineries.

In addition, your predecessor, then Administrator Pruitt, responded to my petition on January 31, 2018, noting that EPA required additional information in order to evaluate the petition. In response to that request, by this letter I am formally re-submitting my 2017 petition with additional supporting information and I request that EPA exercise its waiver authority to reduce the 2018 and 2019 renewable fuel volume mandates pursuant to the authority granted under CAA Section 211(o)(7)(A)(i). To further demonstrate the claim that the RFS standards are creating severe economic harm justifying a waiver, I have attached an analysis of the RFS Program and 2019 Proposed Standards conducted by Dr. Craig Pirrong of the Bauer College of Business at the University of Houston.

Dr. Pirrong's analysis finds that since 2009, seven East Coast refineries have closed and production capacity has declined by roughly a third. Compliance with the increasingly costly RFS standard, which constitutes one of their most significant operating expenses, has been a major cause of the decline.

Going forward, Dr. Pirrong finds that the proposed 2019 standards will continue to create significant challenges for the remaining East Coast refineries. His analysis shows that the standard EPA has proposed will result in a 12.3 percent decline in the margins of these refineries. This in turn is likely to substantially exacerbate the financial difficulties facing East Coast refiners – including two in

Pennsylvania – potentially making them unprofitable and heightening the risk that one or more will close. This risk is more than academic. Within the last year, Philadelphia Energy Solutions filed for Chapter 11 bankruptcy, citing the requirements of the RFS as one of the primary causes.

For three East Coast refiners – Monroe Energy, United Refining Company, and PBF Energy – had the proposed 2019 standards been in effect in recent years, it would have reduced profitability significantly, even to the point that refiners could lose money on every barrel of production. For example, had the proposed 2019 standard been in effect in 2017, Monroe Energy, which made a profit of $1.03 a barrel that year, would instead have taken a loss of $4.78 per barrel. The dynamics created by the RFS standard are proving unsustainable for refiners operating on tight margins, and the report concludes that the impact is large enough to cause some refineries to shut down, with a consequent loss of jobs.

Shutting down a large refinery would have a devastating effect on the workforce and the local economy. The analysis finds that the loss of such a facility could lead to the loss of over 8,800 jobs in Pennsylvania and over $539 million in labor income. The job loss figure cited assumes that half of the employees who lose their jobs are able to find reemployment in similar high-quality jobs – meaning that the result could in fact be worse. Dr. Pirrong concludes, understatedly, that "[i]f these significant job losses were to be realized, it would constitute a substantial negative economic impact on the local and regional economy."

Pennsylvania has a long and proud history of oil production and refining dating from the 1850s. This legacy survives to the present in two remaining refineries subject to the RFS which provide good-paying, family-sustaining jobs to 2,000 workers, and indirectly support over 35,000 more. To ensure that these facilities can remain vital and these jobs are protected into the future, I again request that you exercise the waiver authority granted to you in the Clean Air Act to avoid the severe economic harm that implementation of the proposed 2019 standard will have on the economy of my state and the region.

Thank you for your consideration of this request. Please do not hesitate to contact me with any questions or further concerns.

Sincerely,

Tom Wolf

TOM WOLF
Governor

Cc:
Hon. Robert P. Casey
Hon. Patrick J. Toomey
Hon. Robert A. Brady
Hon. Brendan F. Boyle
Hon. Michael F. Doyle
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