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Vice President Government and Media Affairs
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Tulsa, OK 74172

September 16, 2022

Mr. Michael S. Regan
Administrator
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Petition to Delay the Elimination of the 1psi RVP Waiver for E10 during the Summer Months
INSUFFICIENT SUPPLY OF GASOLINE

Dear Administrator Regan:

Magellan Midstream Partners, L.P. (Magellan) owns and operates the nation's longest refined petroleum products pipeline system with 54 connected terminals throughout 15 states. All of our terminals offer storage and distribution services for fuel grade ethanol. Blending services and "house recipes" offered currently include E10, E15, and E85 (also referred to as Ethanol Flex Fuel). We have offered storage and distribution services for ethanol along our pipeline system since 1982.

Magellan is a service provider to a variety of energy stakeholders. We do not generally own or market the products we transport, store, and distribute. These products are owned by our customers. As a service provider, we are indifferent to the type of fuel blend that our customers request. Our job is to safely ship, store, and deliver products determined by the market while offering the greatest flexibility in the marketplace to serve the needs of our customers, and ultimately the consumer.

Today, based on market demand, the majority of conventional gasoline loaded and distributed from our terminals contains 10% ethanol which is covered under the 1psi RVP waiver during the summer months. Only a small percentage of the gasoline loaded and distributed from our terminals contains 15% ethanol.

On April 28, 2022, eight Governors sent a notice to EPA requesting the elimination of the 1psi Reid vapor pressure (RVP) waiver for E10 during the summer months. Based on our conversations with several Governors and their staff, their request to eliminate the 1psi RVP waiver for E10 is intended to create new special gasoline blendstock, "CBOB" (Conventional Blendstock for Oxygenate Blending), which is suitable for blending with 15% ethanol during the summer ozone season. This effort to change the specification of CBOB without an appropriate timeline to allow refinery and other midstream modifications and investments in necessary infrastructure is likely to cause insufficient gasoline supply, leading to outages and allocations at our terminals. Supply outages and allocations equate to higher prices for retail motorists, farmers, and other commercial end users.

Magellan has pipeline, storage, and distribution infrastructure in all “affected states” that filed documents with EPA on April 28, 2022, requesting the elimination of the 1psi RVP waiver for E10 in the summer months. In several affected states, the majority of gasoline consumed every day flows through Magellan’s pipeline system and is stored and distributed from our terminals.

Please accept this letter as a petition under Section 211(h)(5)(C)(ii)(I) of the Clean Air Act to delay elimination of the 1psi RVP waiver until Spring 2025 as we believe an earlier implementation date of the request stated in the April 28th request by the Governorsⁱⁱ from IA, IL, MN, NE, SD, ND & WI to eliminate the 1psi RVP waiver for E10 will cause the insufficient supply of gasoline in the affected states and other states in the region. Insufficient supply of gasoline is caused by several factors including the implementation of a regulation that requires a substantive change in gasoline specification(s) without adequate time for refiners and those in the midstream sector to make necessary operational or infrastructure investments to prepare for such change. For Magellan, this means greater likelihood of more frequent supply outages and allocations at terminals. This statement is underpinned by the following:

1. Elimination of the 1psi RVP waiver for E10 will force a reduction in the RVP of CBOB from 9.0 psi to approximately 7.8psiⁱⁱⁱ at terminals from May 1st through September 15th which is a new, special grade of gasoline for the affected states. If EPA does not delay the implementation of the Governors’ request and authorizes its implementation in 2023, Magellan’s specification for the special grades of CBOB will be reduced to 7.3 psi RVP for a period of time beginning on March 1, 2023. This is necessary for the “blend down” of high RVP winter gasoline to summer gasoline at our terminals. The result would be 7.8 psi RVP CBOB’s by May 1st at our terminals.
 - A. EPA has not yet published the Governors’ request. As a result, Magellan and others in the fuel supply chain do not have sufficient time to add infrastructure and make other modifications to accommodate the new special CBOB grades. A 2023 implementation date is clearly not adequate time to prepare for this significant change. Historically, EPA provides industry with years of lead time^{iv} when making a substantial change on the specifications of gasoline or diesel fuel.
2. Based on our current market assessment, shippers on the Magellan system may be unable to produce and/or provide an adequate supply of the new special CBOB to meet demand at our terminals in the petition states and other markets in the region. Reducing the RVP from 9.0 psi to 7.8 psi without adequate lead time to make modifications in their production and logistical operations is likely to cause insufficient supply. At this time, our shippers expect Magellan to transport, store and distribute 9 psi RVP CBOB in non-affected states including TX^v, OK, KS, MO, AR & WY during the summer months in 2023.
3. Magellan does not have adequate infrastructure at the majority of our terminals to accommodate additional grades of CBOB on our system without investments in new storage and other infrastructure. The timeline for new storage and infrastructure modifications is 24 months or more^{vi}. Without logistical modifications, we are unable to transport the special grades of gasoline (83 & 91 R+M/2 octane) north of Oklahoma from Gulf Coast origins on Magellan’s pipeline system. *This will lead to reduced competition and a reduction in the*

number of suppliers and position holders offering wholesale rack prices at our terminals in the affected states.

4. The Governors' notice to eliminate the 1psi waiver for E10 during the summer months will destroy the fungibility of our common carrier pipeline system. Today, the system operates on an "open stock" basis which allows us to essentially eliminate or greatly reduce the transit time for moving gasoline from various origins to our terminals. In other words, because 9psi gasoline is the common specification for CBOB for the majority of PADD 2 and many segments of PADD 3, Magellan is able to provide access to gasoline at any of our terminals once we receive CBOB into our system from a refiner or third-party pipeline without waiting on the physical transit time to move the product from the origin to a terminal^{viii}. This significant efficiency of our common carrier pipeline system would be destroyed by eliminating the 1psi RVP waiver for E10, because it will reduce the fungibility of CBOB across markets.

This "bifurcation" of our pipeline system (9.0 psi in southern states and 7.8 psi in affected states) will create additional challenges for Magellan and our shippers. When compared to 9.0 psi CBOB, we expect to receive reduced volumes of the special CBOB into our system which are destined for the affected states. *This may likely cause a reduction in our ability to transport adequate supplies of diesel fuel due to a shortfall of available CBOB to physically move the products via pipeline to terminal destinations.*

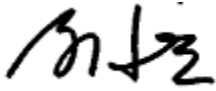
5. Destruction of pipeline efficiencies leads to insufficient supply of gasoline at our terminals. Increased outages and allocations due to insufficient supply will likely add to the price motorists pay at the pump for the new special grades of gasoline.

Please accept this petition as we strongly encourage EPA to delay the elimination of the 1psi waiver for E10 in the summer months in the affected states. Since the timeline for new infrastructure to accommodate these special fuels is 24 months or more, we encourage EPA to propose an implementation date for the spring of 2025. We also encourage EPA to work with Congress and affected stakeholders to develop a durable legislative solution to provide market opportunities for E15 on a year-round basis.

If EPA revokes the 1psi RVP waiver for E10 earlier than 2025, it is likely to cause an insufficient supply of gasoline and lack of necessary infrastructure to accommodate new special grades of gasoline.

Thank you in advance for your consideration of this petition.

Sincerely,



Bruce W. Heine

cc: Mr. Joseph Goffman, US EPA

Mr. Paul Machiele, US EPA

Ms. Lauren Michaels, US EPA

Mr. Neelesh Neurkar, US Department of Energy

i IA, IL, MN, ND, NE, SD & WI

ii The Governor of KS has removed her state from the April 28th petition.

iii 7.8psi RVP CBOB when blended with 10% ethanol would meet EPA's 9.0psi RVP upper limit during the ozone period. Based on our experience with the distribution and testing ethanol blended gasoline, the lower the RVP of CBOB, the greater RVP increase with the addition of 10% volume ethanol. We would establish a 7.8 psi RVP specification for CBOB to ensure the 10% blend did not exceed 9 psi.

iv EPA Ultra Low Sulfur Diesel regulations phased in from 2006 to 2010. EPA gasoline sulfur reduction rules generally provided a four-year period before implementation.

v Non-RFG and low RVP markets in Texas.

vi Includes typical timeline for permitting and construction.

vii Typical transit time from Gulf Coast refineries to the upper Midwest can be three to four weeks.