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PROVIDING ENERGY. IMPROVING LIVES.

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September 29, 2022

The Honorable Michael Regan
Administrator
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

Re: Petition to Delay Elimination of the Summer 1 psi RVP waiver for E10

Phillips 66 Company submits this petition for delay regarding the Environmental Protection Agency's potential rulemaking regarding the midwestern states (Iowa, Nebraska, Illinois, Ohio, Minnesota, North Dakota, South Dakota, and Wisconsin) Governors' request, pursuant to Section 211(h)(5) opting out of the 1 psi RVP waiver for 10 percent ethanol gasoline beginning with the 2023 summer ozone control season.

Phillips 66 Company produces and imports gasoline for use in these states. Specifically, Phillips 66 operates three refineries that produce gasoline directly for use in these states. Phillips 66 also operates pipelines and terminals in several of the states. These comments address the following issues: the proposed rule's impact on refinery production; anticipated impacts on fuel distribution and storage, with particular concerns related to gasoline fungibility and costs to consumers; vapor pressure transition issues and supply reliability.

Refinery production impact - The elimination of the RVP waiver will have specific impacts on Phillips 66's production – most importantly a loss of supply – and this consequence will likely affect others in the industry, as well. This projected loss is based upon the necessary reduction of higher RVP butane and other blend stocks in the gasoline to meet the lower RVP maximum specification. With U.S. refinery utilization continuing to exceed 90 percent, the United States does not have spare refining capacity to absorb supply losses if the proposed rule is implemented in 2023.

Additional short-term effects will result in further reduction of overall supply if an implementation delay is not factored into the rule. An implementation delay is needed to allow refineries to mitigate the new processing constraints that the lower RVP standard would create. Refineries use and closely monitor their fractionation capabilities to economically meet gasoline volatility standards. In this case, if a refinery would be required to supply a lower RVP gasoline to a limited market, its fractionation capacity may be limited which would further restrict gasoline supply until construction projects (which may require air permitting) could be implemented. It typically takes a three-year lead time to implement significant projects at a refinery along with associated production outage to modify equipment. We would expect a similar timeframe would be required to produce a new grade of lower vapor pressure gasoline. As proposed, the implementation time in this case would be less than eight months if the rule is in place for summer 2023. Therefore, without an implementation delay supply will be constrained until projects could be implemented.

Additionally, the proposed action would require two new grades (regular and premium) of low vapor pressure gasoline to be produced and distributed by our Midwest refineries. This would require additional tank segregations at the refineries, possibly requiring additional logistics projects at the refineries. As noted above, these projects can take two to three years to implement.

Fuel transportation and distribution impacts - A significant amount of gasoline supplied to the Midwest is produced in the Gulf Coast refining system. The changes proposed by Midwest states will partially rely on local and out-of-state refiners and shippers for implementation.

Adding two new grades of gasoline will have a negative impact on the fungibility and supply efficiency of gasoline into the region. Terminals in the distribution system may not have adequate tankage to separate multiple grades, leading to non-optimal supply situations until adequate tankage or segregation are available. As a result, terminals will need to make non-optimal supply decisions to supply both RVP areas. Terminals may choose to supply only the lower vapor pressure product, which will further reduce supply and increase consumer costs in states not opting into the waiver removal. Alternatively, terminals may elect to not supply various grades in the opt-in states thus limiting consumer choice.

These forced choices in the gasoline distribution systems are especially likely and pertinent if the rule changes are required to be implemented in the summer of 2023. As stated throughout these comments, a 2023 implementation leaves insufficient time for refiners and/or fuel distributors to plan and implement any necessary fractionation, blending, storage or delivery projects prior to summer of 2023. Any new facility construction could not be permitted and completed in this time.

Further, gasoline markets in Midwest states not opting out of the waiver may experience price differentials and volatility due to the costs and complications of supplying a lower vapor pressure gasoline.

Vapor Pressure Transition Issues - The conversion to summer gasoline usually starts no later than March each year to fully transition the system by the June 1 summer season start. A final rule in late 2022 would likely not allow sufficient time for full summer transition to the lower RVP specification and would certainly increase costs as transition would be impacted by the need to transition more tankage to low vapor pressure fuels. Directionally this increases costs in all Midwest states and not just the states opting out of the RVP waiver.

Supply reliability issues – Elimination of the RVP waiver will negatively affect the reliable supply of gasoline to the region. Not to be ignored, hurricanes and other unplanned events occurring outside the Midwest region, perhaps in the Gulf Coast region, could similarly – and negatively – affect the petitioning states.

In summary, adoption of a rule to remove the 1 psi RVP waiver for 10 percent ethanol gasoline in the petitioning states will have far reaching impacts on the nation's refining and fuel distribution systems. The impact is not simply limited to refineries in the listed states. These impacts are further exacerbated if EPA requires such changes beginning with the 2023 summer ozone control season. Gasoline supply in the Midwest states will be impacted adversely due to insufficient time to plan and implement required projects needed to facilitate the specification change. We believe a minimum of a one-year delay is warranted to prevent adverse supply impacts of the rule change. A two- to three-year delay would be more consistent with timing allowed in prior rule changes and actual time needed to permit and implement any refining or storage changes.

Should you have any questions regarding this petition please contact me or John Askounis (email: john.askounis@p66.com); we are happy to provide supplemental information as needed.

Sincerely,



Richard G. Harbison

cc: Electronic copies via email
Mr. Joseph Goffman, U.S. EPA
Mr. Paul Machiele, U.S. EPA