

Political Update & Fuels Policy

Geoff Moody
VP, Government Relations



KEY TOPICS

1. Legislative Update/Green New Deal
2. Liquid Fuels
3. RFS Rulemakings
4. RFS/Octane Legislative Update

POLITICAL UPDATE

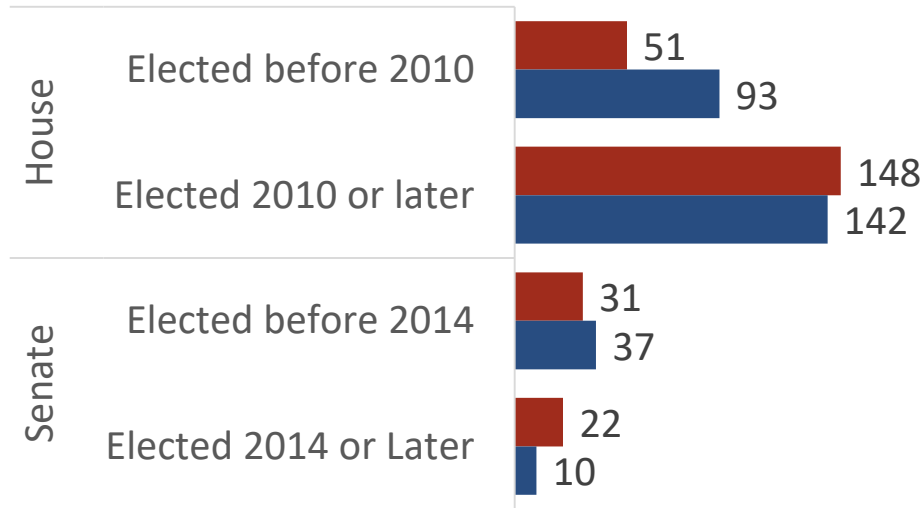


2019 LANDSCAPE

- Divided Congress
 - Congressional oversight
 - 2020 posturing
- Elevation of climate issues
- Executive branch uncertainty/activity
- Accelerated state activity

2/3 OF ALL REPRESENTATIVES WERE ELECTED AFTER 2010

116th Congress partisan breakdown by year elected

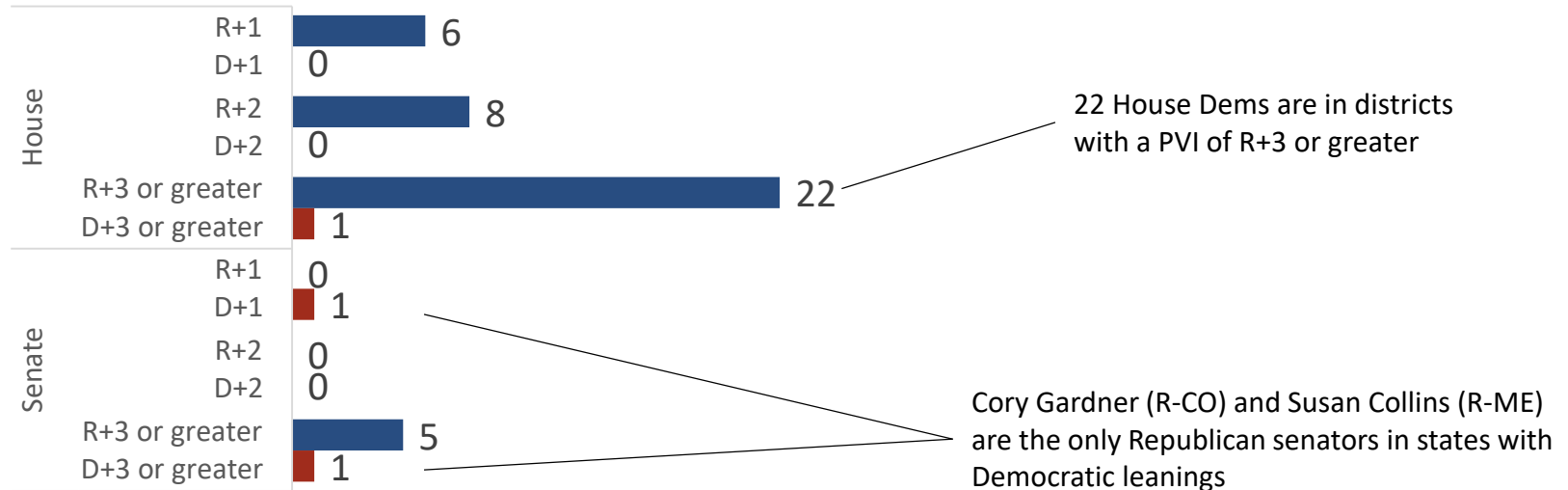


- 74% of GOP reps (148) will be in the minority for the first time
- 60% of Democratic reps (142) will be in the majority for the first time
- 32% of all senators were elected after 2014
- 22 GOP senators have never been in the minority
- 10 Democratic senators have never been in the majority

AFTER THE 2018 MIDTERMS, 36 HOUSE DEMS NOW HOLD SEATS IN GOP-LEANING DISTRICTS

Members of 116th Congress in districts/states with a partisan lean to the opposing party

2018 COOK PARTISAN VOTER INDEX (PVI)

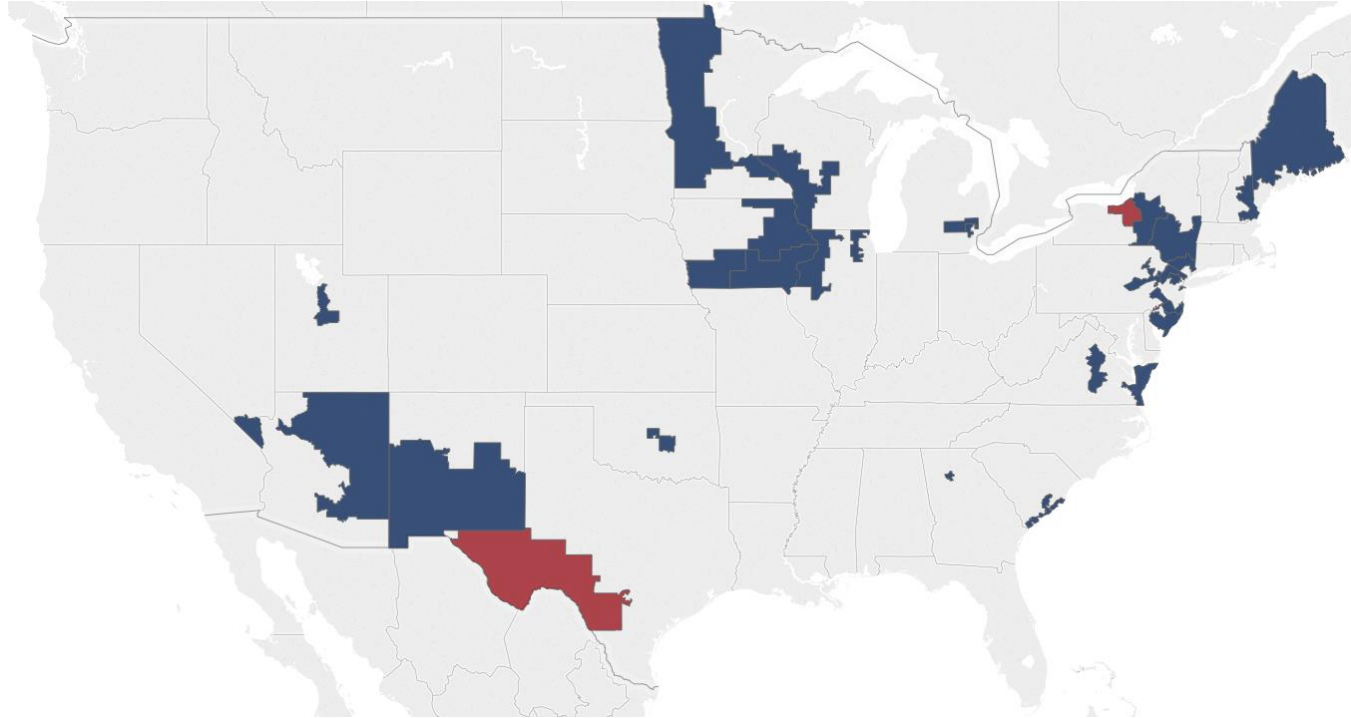


Sources: National Journal, 2019.

Daniel Stublen | Slide last updated on: January 9, 2019

CROSSOVER DISTRICTS

■ Republicans in districts won by Clinton in 2016 ■ Democrats in districts won by Trump in 2016



Source: National Journal

GREEN NEW DEAL

- Non-binding resolution introduced by Sen. Markey (D-MA) and Rep. Ocasio-Cortez (D-NY)
- The resolution lays out five “Green New Deal Goals” to be achieved by 2030 which include:
 - (1) Achieve net-zero greenhouse gas emissions;
 - (2) Create millions of good, high-wage jobs;
 - (3) Invest in the infrastructure and industry of the U.S. to sustainably meet the challenges of the 21st century;
 - (4) Secure for all people of the U.S. clean air and water, climate and community resiliency, healthy food, access to nature, and a sustainable environment; and
 - (5) Promote justice and equity by stopping current, preventing future, and repairing historic oppression of “frontline and vulnerable communities”.

GREEN NEW DEAL

Current Support

- House resolution (H. Res. 109) has 89 Democratic co-sponsors
- Senate resolution (S. Res. 59) has 11 Democratic co-sponsors
- GND has also been endorsed by most of the main Democratic Presidential candidates

Congressional Politics

- Division among Democrats primarily about means, not ends
 - 6 climate hearings last week alone
- Senate Republicans holding vote, Senate Democrats introducing new consensus resolution after pushback from several Senators, including Sen. Feinstein

GND Supporters' Long-Term Plan

- “Moving the Overton Window”
- GND as an “RFP”

↳ Saikat Chakrabarti Retweeted



Waleed Shahid ✓

@_waleedshahid

**AOC CoS and
campaign strategist**

That's the sound of the Overton window shifting.

@JakeSherman tells @KatyTurNBC that the Green New Deal (launched by @AOC + @justicedems + @sunrisemvmt) is largely to credit for Republican leaders beginning to acknowledge that their positions on climate change are 'untenable.'



10:10 PM · Feb 25, 2019 · Twitter Web Client

143 Retweets 605 Likes

AFPM

American
Fuel & Petrochemical
Manufacturers

GREEN NEW DEAL/GOP POSITIONING

- Widespread GOP opposition to framing/goals of GND
- Framing as capitalism vs. socialism
- However, also shift in tone by some (particularly in the House) to argue on policy merits rather than science/magnitude of impact

Example:

“America’s approach for tackling climate change should be built upon the principles of innovation, conservation, and adaptation. Republicans have long championed realistic, innovative, and free-market strategies to promote a cleaner environment and to reduce emissions.” -- Reps. Walden, Upton, Shimkus

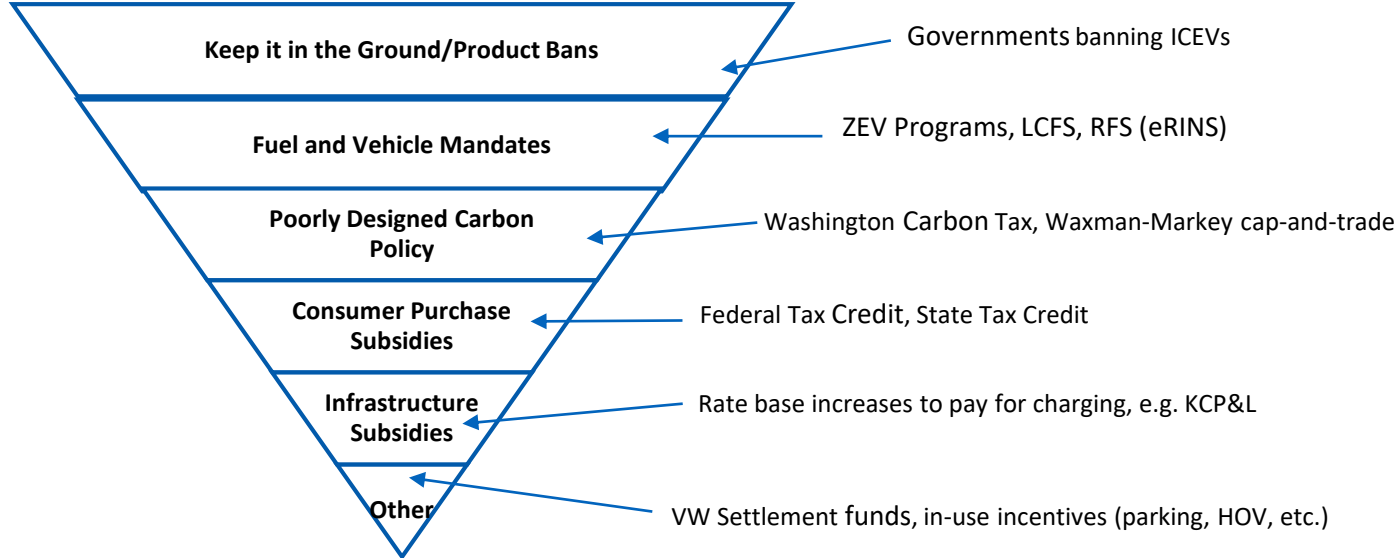
LIQUID FUELS CAMPAIGN

DERRICK MORGAN

The background features several thick, wavy, horizontal lines in a light gray color, creating a sense of motion and depth on the right side of the slide.

ISSUE IDENTIFICATION

- Oppose: policies that disadvantages liquid fuels and hurts consumers
- Support: policies that achieve positive environmental and economic outcomes efficiently while preserving consumer choice and affordability



Prioritize challenges that are the highest impact and most precedential

FOUR 2019 PRIORITY ISSUES

The Workgroup considered issues through these lenses:

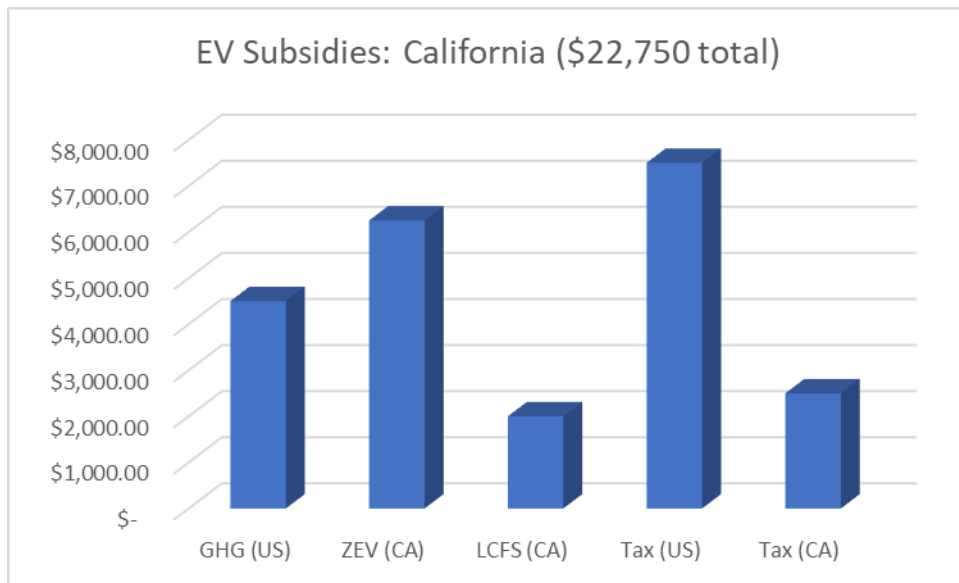
- magnitude of the impact of the policy
- possibility of consideration and passage
- precedential value if adopted
- Strength of opposition and political leadership

Identified Priorities

1. ZEV Mandates/ICE Bans
2. Low Carbon Fuel Standards
3. Purchase Subsidies
4. Infrastructure Subsidies

ESTIMATE OF SUBSIDIES

1. Federal GHG Program - \$4000 - \$5000 est.¹
2. California ZEV Program - \$6250 est.²
3. California LCFS Program - \$2000³
4. Federal Tax Credit - \$7500⁴
5. State Tax Credit - \$2500⁵
6. HOV access, parking, charging, etc. - ???⁶

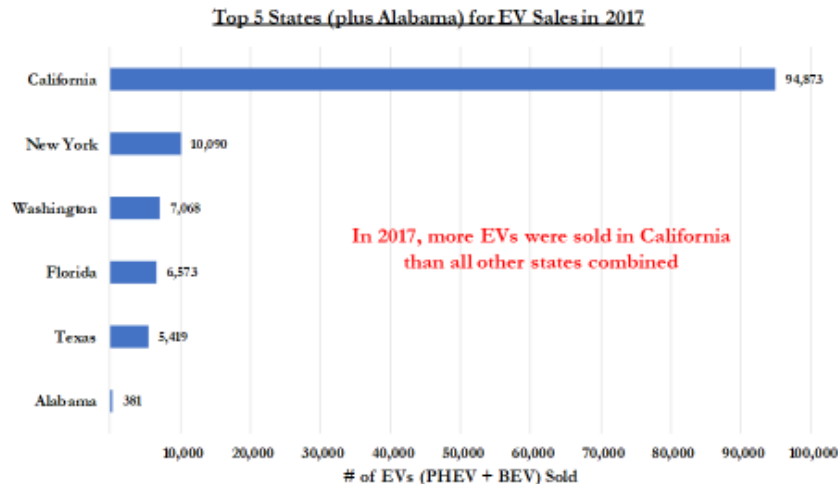


GEOGRAPHY OF SUBSIDIES

- For the last available year of data, Californians received about half of all the Federal EV tax credits

The Electric Vehicle (EV) Tax Credit Transfers Wealth from Alabama Taxpayers to California

- California has ~7 times as many licensed drivers as Alabama; yet in 2017 more than ~249 times as many EVs were sold in California as Alabama
- In 2017, 381 EVs were sold in Alabama – representing ~0.2% of all light-duty vehicles sold in the state that year

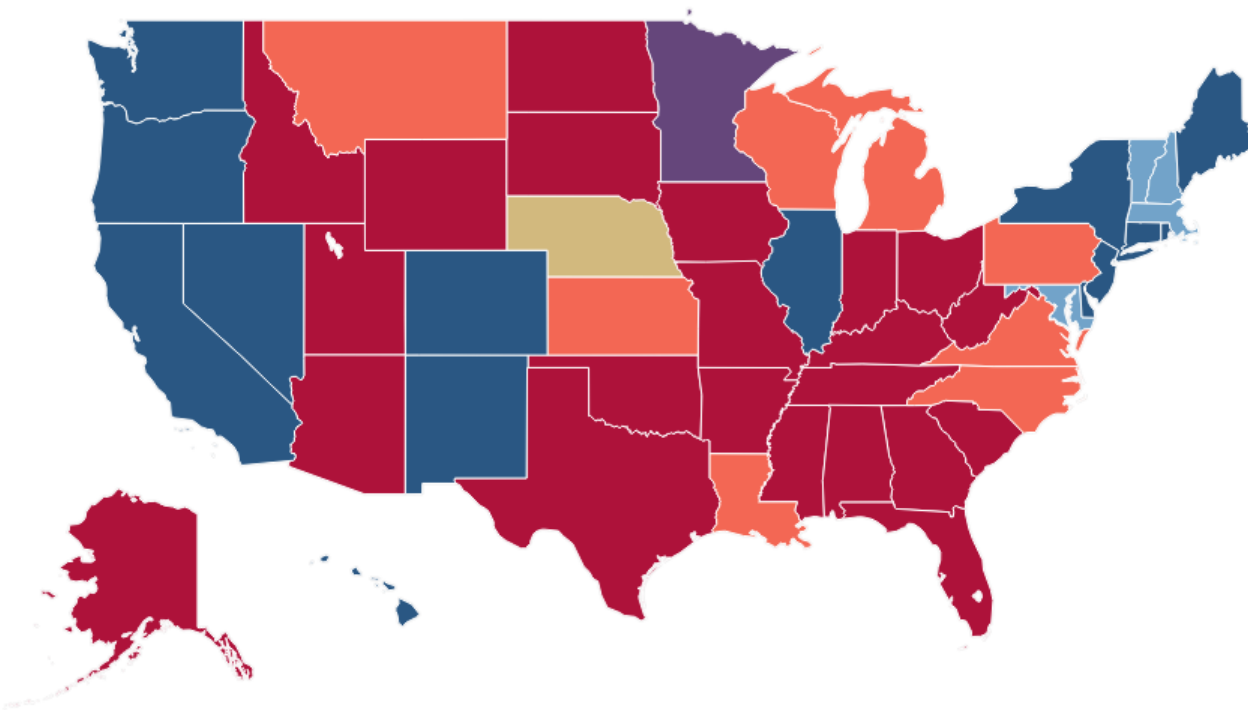


STATE

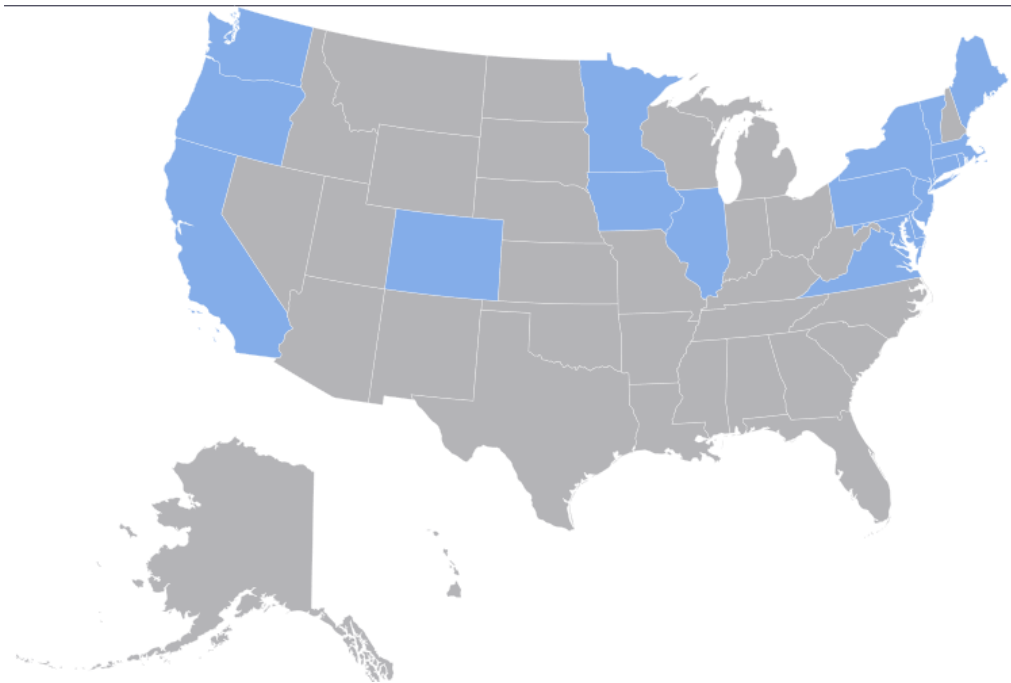
DEMOCRATS NOW HAVE 13 “TRIFECTAS” (CONTROL OF ALL THREE BRANCHES OF STATE GOVERNMENT), REPUBLICANS HAVE 22

Control of state government after the 2018 elections

- Dem legislature, Dem governor
- Dem legislature, GOP governor
- Dem legislature, Dem governor
- Split legislature, Dem governor
- GOP legislature, GOP governor
- GOP legislature, Dem governor
- Non-partisan legislature, GOP governor

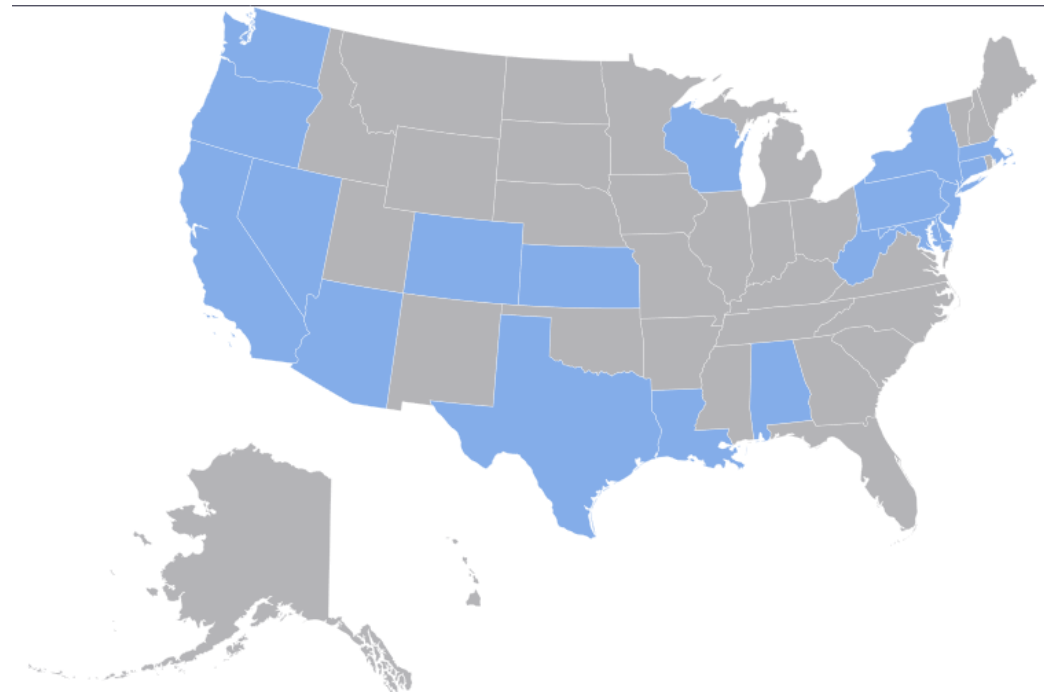


ZEV MANDATE



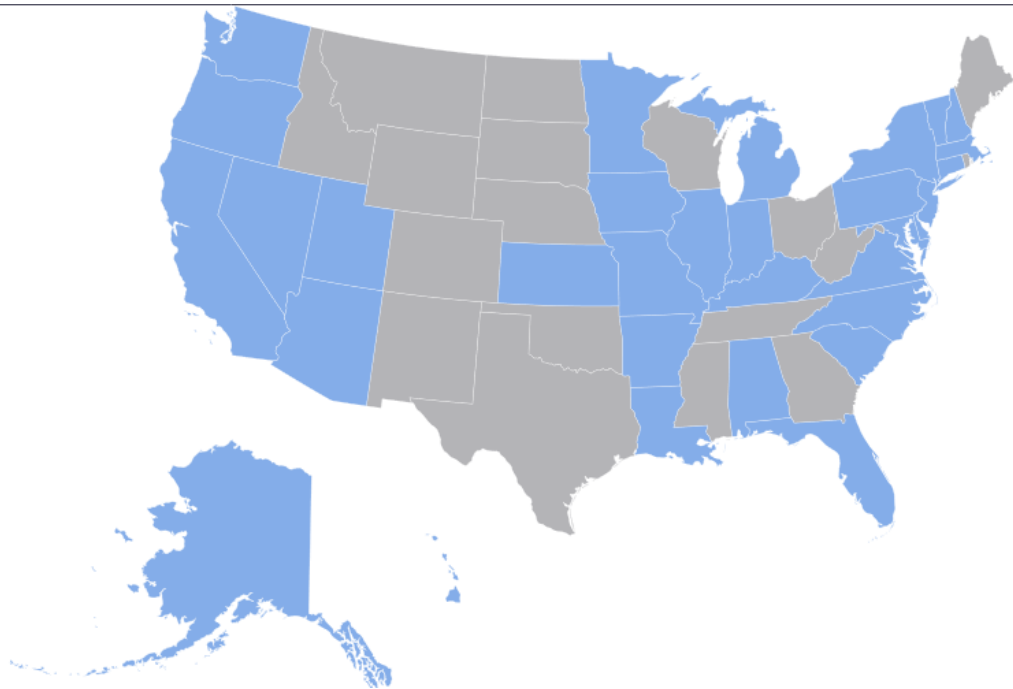
- ZEV Mandate States
 - CA, CT, MA, MD, ME, NJ, NY, OR, RI, & VT
- Sec. 177 States
 - DE, PA, & WA
 - CO has become a Sec. 177 state and is in the process of establishing a ZEV mandate
- CAFE Lawsuit States
 - IA, IL, MN, & VA

EV FINANCIAL TAX INCENTIVES



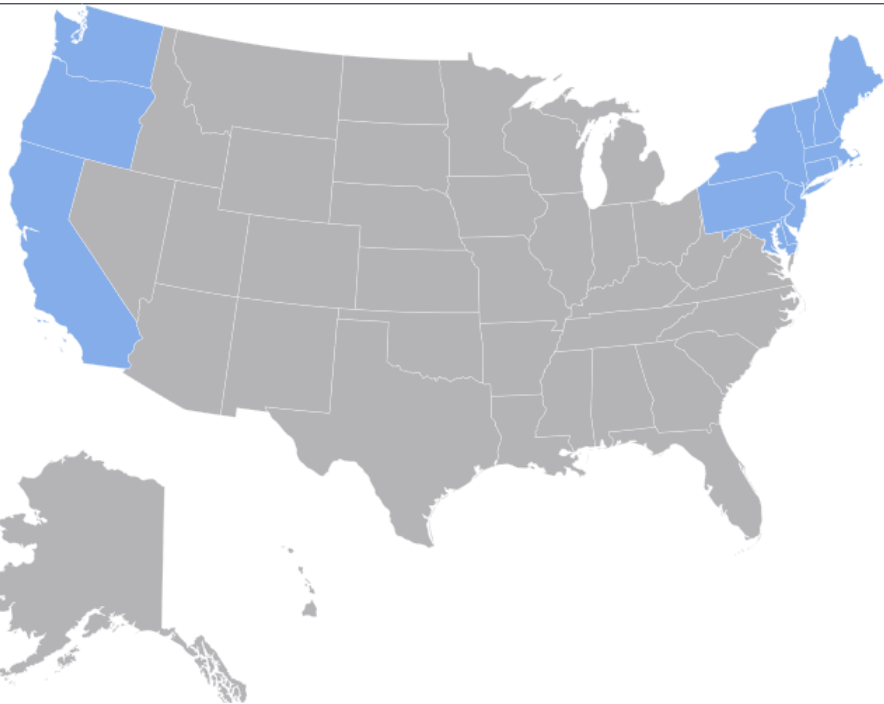
- States with purchase or sales and use tax incentive programs for electric vehicle owners. Does not include registration fee incentive or other preferential policies like HOV access and parking incentives.

UTILITY EV INFRASTRUCTURE PROGRAMS



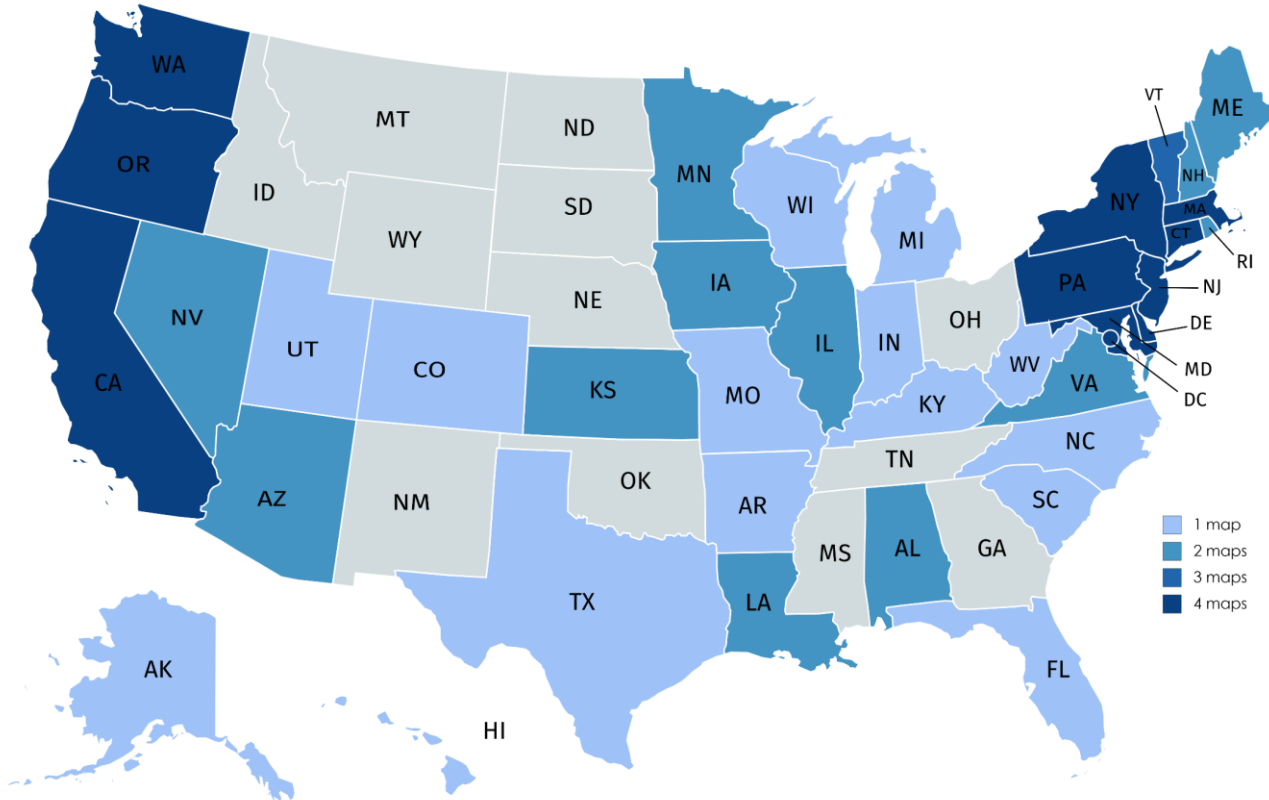
- States currently working on utility-based infrastructure issues.

LOW CARBON FUEL POLICIES



- States with or currently developing policies promoting low carbon fuel policies

COMBINED PROGRAMS



TELLING OUR STORY

The internal combustion engine and our facilities have played an important role in air quality improvements:

- Between 1990 and 2017, national concentrations of air pollutants improved 80 percent for lead, 77 percent for carbon monoxide, 88 percent for sulfur dioxide (1-hour), 56 percent for nitrogen dioxide (annual), and 22 percent for ozone.
- Fuel economy up nearly 100 percent, while horsepower is up nearly 70 percent since 1975. CO-2 emissions have dropped by 45 percent.
- From 2004 to 2016, average vehicle delivered 5.4 MPG better while increasing horsepower by 9.2%

RFS



2019 RULEMAKINGS

- E15 RVP waiver
- RIN market reforms
- Reset/Set
- Small refinery exemptions
- 2016 RVO remand

“EPA interprets the relevant provisions of the Clean Air Act as authorizing the 1 psi RVP waiver only for gasoline-ethanol blends containing 9–10 vol% ethanol.” – EPA, November 2010

In sum, the text of section 211(h)(4) and this legislative history supports EPA’s interpretation, adopted in the 1991 rulemaking, that the 1 psi waiver only applies to gasoline blends containing 9–10 vol% ethanol.” – EPA, July 2011

RESET OBJECTIVES

1. EPA should establish an objective reset/set methodology supported by the statutory criteria that:
 - Provides regulatory certainty, but retains flexibility to use waivers for unforeseen circumstances
 - Ensures mandated renewable fuel volumes are achievable in the market
2. Set volumes recognizing infrastructure and vehicle fleet realities
3. Allow consumer choice and market based signals to drive volume increases
4. Minimize cost impact to the consumer (Blendwall & CWC)

DRAFT RESET METHODOLOGY

1. The volume of the implied conventional biofuel category (corn ethanol) should be set based on 10% of EIA forecasted gasoline demand.
2. Biomass-based diesel (BBD) volume should remain at 2.43 bgy for the 2020-2022 period. The BBD standard was significantly increased by 15% from 2.1 bgy in 2019 to 2.43 bgy in 2020.
3. Cellulosic (renewable natural gas and liquid) biofuel mandate should be based on historic production with a realistic allowance for annual growth.
4. The volume of “other advanced” biofuels (non-BBD and non-Cellulosic) should remain low (0.1 bgy) consistent with EPA’s assessment
5. No retroactive reallocation of SRE obligation

RFS POLITICS



ECONOMY

NATIONAL SECURITY

BUDGET

IMMIGRATION

THE OPIOID CRISIS

FACT SHEETS

President Donald J. Trump Is Expanding Waivers for E15 and Increasing Transparency in the RIN Market

— ENERGY & ENVIRONMENT | Issued on: October 11, 2018



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Sen. Cruz Issues Statement on Confirmation of Andrew Wheeler to Lead the U.S. Environmental Protection Agency

February 28, 2019 | [202-228-7561](tel:202-228-7561)

“Over the course of the advice and consent process, I also appreciated his understanding of the plight of refinery workers facing crushing and volatile RINs prices under the Renewable Fuel Standard, and his ongoing dedication to finding a win-win solution that would help both corn farmers and refinery workers.

“Specifically, I look forward to working together to continue Small Refinery Exemptions, consistent with federal law and recent court decisions, and to reset the statutory conventional biofuel volume at a level that is aligned with market realities and does not exceed 15 billion gallons. I also look forward to working with him to insure against the retroactive reallocation of previously waived volumes of biofuels and to implement common sense RIN market reforms that will combat destructive market manipulation and speculation.”

IS THERE A LEGISLATIVE PATH FORWARD?

2018

- Multiple E&C hearings
- Broadening stakeholder engagement and discussion
- Shimkus/Flores discussion draft

2019

- Can stakeholders come together?
- Implications of divided Congress
- Impact of CAFE revisions
- RFS regulatory issues

QUESTIONS?

GMOODY@AFPM.ORG