



February 28, 2020

## TCI Draft MOU Comments

On behalf of the Petroleum Marketers Association of America (PMAA), I would like to offer our comments on the draft Memorandum of Understanding (MOU) for the Transportation Climate Initiative (TCI).

The Petroleum Marketers Association of America (PMAA) is a federation of 47 state and regional trade associations representing approximately 8,000 independent petroleum marketers nationwide. PMAA member companies are the primary conduit for bringing liquid fuel products from the terminal rack to retail locations and represent a vital, indispensable link in the nation's petroleum distribution chain. Approximately 94 percent of U.S. gas stations are owned by small business independent retailers, represented by PMAA. We are not "Big Oil."

Unfortunately, the draft MOU does not provide enough clarity on the true economic cost implications and whether the proposed plan will reduce carbon emissions. The draft MOU would likely increase fuel costs on consumers and mandate a transition towards electrification. According to the Boston Globe, gasoline prices from Virginia to Maine could jump as much as 17 cents per gallon.<sup>1</sup> Policy positions on electrification should allow for an orderly and efficient transition considering the market viability, the impact on existing liquid fuels infrastructure, the need for new infrastructure, and the economic impact on taxpayers, vehicle owners, homeowners, and businesses.

Liquid fuels play an important role in lowering vehicle emissions. Liquid fuels store well and transport easily in trucks, ships and by pipeline which allows the most competitive price for motorists. According to the EPA, between 1970 and 2016, investments in cleaner fuels helped reduce U.S. air pollution by 73 percent, even as total miles driven nearly tripled. PMAA supports research into creating more environmentally friendly liquid fuels for our industry. Using our existing infrastructure and vehicles, we can deliver products that meet the demands of our society for affordable, efficient, and environmentally friendly fuels. Continued improvements in the availability and economics of renewable fuels and fuel efficiency offer opportunities to reduce carbon emissions without a significant impact on vehicle owners. Those products may include renewable diesel, renewable gasoline and higher-octane gasoline.

TCI's draft MOU also fails to acknowledge the difficulties American households have with paying their energy bill. In some states, utility companies are requesting permission from state public utility commissions (PUCs) to raise rates on all customers to offset costs for installing EV infrastructure and charging networks that very few people will use. PMAA opposes this policy. Even small utility rate hikes to pay for EV charging can have an outsized impact on households. Nearly 1 in 3 American households reported difficulty paying their energy bill, according to a 2018 Energy Information Administration report.<sup>2</sup>

TCI also, must ask the question are we trading one type of pollution for another? Last year, the Fuels Institute released a literature review of the environmental impact of electric vehicles as compared to an internal combustion engine titled "Supercharged: The Environment Impact of Electric Vehicles" in the context of the life-cycle of electric vehicles (EVs) including manufacture, distribution, use, longevity, and disposal. It summarizes results of studies on emissions reduction by EVs compared to internal combustion engines (ICEs). The report notes that while an EV does not have tailpipe emissions, its production and operation still produce significant global climate change emissions due to such factors as the source of electricity charging the battery, energy usage and the efficiency of the vehicle, and manufacturing and production. Overall the report concludes that there are numerous variables that drive the environmental impacts and

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<sup>1</sup> "States disclose details of new emissions controls that would drive up gas prices,"

<https://www.bostonglobe.com/metro/2019/12/17/states-disclose-details-new-emissions-controls-that-would-drive-gas-prices/tvoE8mbdzXsdoiHPGlmf7l/story.html>

<sup>2</sup> <https://www.eia.gov/todayinenergy/detail.php?id=37072>

that “there is no consensus break-even set of conditions that need to occur in order to realize the environmental benefits that the public attributes to the adoption of EVs.”<sup>3</sup>

Additionally, TCI should consider how the federal highway trust fund (HTF) stays solvent since EVs are contributing to wear and tear on our roads, but not paying for upkeep like everyone else. EVs will exacerbate the HTF’s revenue problems as they become a larger percentage of vehicles on the roads. One study estimates the federal government currently loses \$44 million per year in foregone gas tax revenue from EVs (Texas A&M Transportation Institute). The bottom line is that all vehicle owners and operators, no matter what fuel type they choose, should pay their fair share for road maintenance and repair.

Finally, the TCI draft proposal falls short on providing details to maintain public health, safety and environment by ensuring that citizens and governments can effectively respond to accidents, natural disasters and terrorist attacks via a robust energy and transportation infrastructure. Given TCI goals to move entirely to renewable power plants, specifically wind and solar, for electricity generation, it’s reasonable to ask how much land such plants would consume. Imagine another natural disaster like Hurricane Sandy approaching the eastern seaboard and motorists need to evacuate. Would the power grid have the capacity to meet demand? PMAA encourages TCI to examine this scenario.

PMAA members have invested billions to comply with complex regulatory requirements and provide a safe and efficient infrastructure for liquid fuels. Policy decisions to promote electrification without equal opportunity given to reductions in carbon emissions associated with liquid fuels is problematic and potentially counterproductive. Ignoring the benefits of carbon reduction through improvements in liquid fuels will not only jeopardize the value of these investments and force many small business to close their doors but will also negatively impact the many Americans who rely on PMAA members for employment and services. TCI should explore ways to minimize the impact of these societal changes.

We appreciate the opportunity to provide these comments and urge policy makers to consider the full ramifications before implementing such an aggressive and unproven proposal. If you have any questions, please feel free to contact me at [runderwood@pmaa.org](mailto:runderwood@pmaa.org) or call 703-351-8000.

Thank you,



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<sup>3</sup> <https://www.fuelsinstitute.org/Research/Literature-Review-Summary-Supercharged-The-Environ>