

October 8, 1999

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

On behalf of the State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO), we are writing to express our serious concerns with comments submitted to the U.S. Environmental Protection Agency (EPA) by the U.S. Department of Energy (DOE) concerning EPA's May 1999 proposal for Tier 2 motor vehicle emission standards and gasoline sulfur control requirements.

Our associations, which represent the air pollution control officials in the states and territories and over 165 major metropolitan areas across the country, have been strong proponents of stringent and timely Tier 2 motor vehicle emission standards and a national low-sulfur gasoline standard. As we articulated in our July 28, 1999 comments to EPA, we are particularly pleased with the Agency's proposed rulemaking for these programs, in that it takes full advantage of the opportunity to efficiently and cost-effectively reduce a wide variety of emissions; pursues a systems approach that addresses both fuels and tailpipe emissions; reflects a thorough, thoughtful and inclusive rule development process; and, generally, establishes appropriate timeframes for implementation, particularly with respect to gasoline sulfur.

We believe EPA Administrator Carol Browner's leadership in crafting this proposal is to be highly commended, as is your leadership in announcing this proposal on May 1, 1999. Your "proud" announcement sent a clear message to the country that your Administration is truly committed to achieving "a dramatic reduction in air pollution for the 21<sup>st</sup> century." You characterized the proposal as achieving these reductions "in the most cost effective and flexible ways," and also acknowledged that "[i]n designing this proposal we've taken great pains to make sure these new standards will not cause hardship for industry or reduce consumer choice." Given this endorsement, we are both troubled and puzzled by DOE's comments regarding gasoline sulfur, which not only offer recommendations that are based on several fundamentally flawed premises and would

severely undermine the environmental benefits of the program, but also appear to be out of step with your Administration's views.

STAPPA and ALAPCO are confident that the potential air quality benefits of reducing emissions from passenger cars and light-duty trucks and cutting sulfur in gasoline, as EPA has proposed, are tremendous. These proposed programs will allow states and localities to make significant strides in our efforts to deliver and sustain clean air by resulting in or facilitating substantial and much-needed emission reductions across the country. These emission reductions will play a key role in addressing an array of air quality problems that continue to pose serious health and welfare risks nationwide. For this reason, our associations strongly urge you and EPA to reject DOE's recommendation to delay implementation of the 30-parts-per-million (ppm) average and 80-ppm cap gasoline sulfur requirements by three years, from 2004 until 2007. DOE claims that this three-year delay, with a 350-ppm sulfur cap and a declining industry average sulfur level in the meantime, will still "fully achieve the environmental goals [of the EPA proposal] while minimizing potential gasoline supply problems and consumer price increases." STAPPA and ALAPCO strongly disagree.

First, in claiming that the three-year delay would have no adverse impact on the environmental benefit of the proposed rule, DOE fails to recognize the substantial increase in emissions that would result from such a postponement. In fact, during that three-year period, our nation would forfeit more than 550,000 tons of nitrogen oxide (NO<sub>x</sub>) reductions, compared to the NO<sub>x</sub> reductions to be achieved under EPA's proposal – a level of emission reductions we can ill afford to lose. Not only would this force individual states and localities to pursue alternative, and most likely less cost-effective, emission reduction strategies to make up for these reductions, but, even more importantly, our citizens would be exposed unnecessarily to dirtier air and the attendant adverse health and welfare impacts. Further, to illustrate the impact of such lost reductions, on a nationwide basis this would be equivalent to adding as many as 37 million vehicles to our roads. We find this unacceptable.

Second, DOE's estimate that the likely cost of achieving the 30-ppm sulfur standard would be about 2.9 cents per gallon for a typical "mid-challenged" refinery is an overestimation based on obsolete costs for advanced desulfurization technology that do not reflect recent and rapidly evolving improvements in these processes and exclude less expensive desulfurization technology, as well as a higher rate of return on investment than the refining industry has typically achieved. Not only is EPA's 1.7-cents-per-gallon estimate for 30-ppm gasoline more accurate at this time, even the American Petroleum Institute has estimated a lower cost than DOE. Moreover, four years is a technological eternity in pollution control advancement. Historically, in virtually every instance, actual costs once rules have been adopted have been far less than the projected costs calculated by both EPA and industry.

Third, DOE's claim that it is necessary for advanced desulfurization technology to be demonstrated for two years before refiners can safely invest in it is conservative; it is reasonable to expect that most refiners will be able to conclude with confidence that new

technologies are reliable after one year of demonstration. We further believe that, given the tremendous importance of this national program, DOE's outlook for the transition is overly cautious and that new equipment can be successfully built, installed, permitted and in operation by 2004.

Fourth, by resulting in a shortfall in emission reductions, DOE's recommendations will force states to make up for the loss with other control strategies, increasing the likelihood of multiple, individual state low-sulfur gasoline programs. This result is likely to be unwelcome by the petroleum industry, which has argued that such a "patchwork" of varied programs will increase the costs of fuel distribution and may heighten the risk of spot shortages.

Fifth, DOE's attribution of recent gasoline price volatility and supply disruptions in California to the state's reformulated gasoline program *per se* is inaccurate. Further, the Department's expression of concern that the California "situation" will occur nationwide as a result of EPA's proposal is unfounded. The gasoline price volatility in California was largely attributable to factors unrelated to the state's reformulated gasoline program – including large fires at two major refineries that resulted in shut downs. At the time of these shut downs in California, refineries all along the Pacific Coast were operating at nearly full capacity and some refineries outside of California experienced operating problems of their own, further exacerbating California's gasoline shortage and the volatility of gasoline prices. Further, not only was California gasoline in short supply, conventional gasoline was as well, and states in addition to California suffered from limited fuel supplies and high prices. California, as well as other Pacific Coast states, had to seek gasoline from the Gulf Coast, which took some time. Under a national low-sulfur gasoline program, however, the base of refiners producing low-sulfur gasoline will be broadened and, to the extent that refinery problems and temporary gasoline shortages occur, for whatever reason, gasoline could be shifted more easily from one area to another.

Finally, and perhaps most puzzling of all to us, is that even the petroleum industry has not recommended the kind of regression that DOE is suggesting.

Mr. President, when you addressed the nation to announce the proposed Tier 2 and gasoline sulfur programs, you resolved that

"Ever since the days when thick smog was choking our major cities, pessimists have claimed that protecting the environment and strengthening the economy were incompatible goals. But, today, our economy is the strongest in a generation and our environment is the cleanest in a generation. Whether the issue was deadly pesticides, fouled rivers or polluted air, the American people have always proved the pessimists wrong. With EPA's new clean air proposal, we will prove them wrong once again. Not only will we enhance our long-term prosperity, we will ensure that our children inherit a living, breathing Earth, our most important obligation of all."

We applaud this statement and urge you and EPA to reject DOE's recommendations to delay and weaken the gasoline sulfur program. We further urge that the final Tier 2 and gasoline sulfur standards be promulgated by no later than the end of this year, so that both programs can take effect in 2004 and we can begin reaping the air quality benefits that will play a pivotal role in our collective quest for clean, healthful air nationwide. To this end, STAPPA and ALAPCO remain committed to working with EPA and the rest of your Administration in any way we can to realize this goal.

Respectfully,

Ronald C. Methier  
STAPPA President

Eric P. Skelton  
ALAPCO President

cc: The Honorable Carol M. Browner  
The Honorable William B. Richardson  
Members of STAPPA and ALAPCO