



WAXMAN-MARKEY: REALITIES FOR CONSUMERS AND REFINERS

“Ultimately at stake are American energy security and the ability of our home-grown energy providers to compete in global markets, as we must. Imports of refined products, not simply crude, could actually increase under H.R. 2454, thus impeding national energy security. American refiners, who already face stiff foreign competition in the fuels markets, would be severely disadvantaged with higher compliance costs under the Waxman-Markey scheme.”

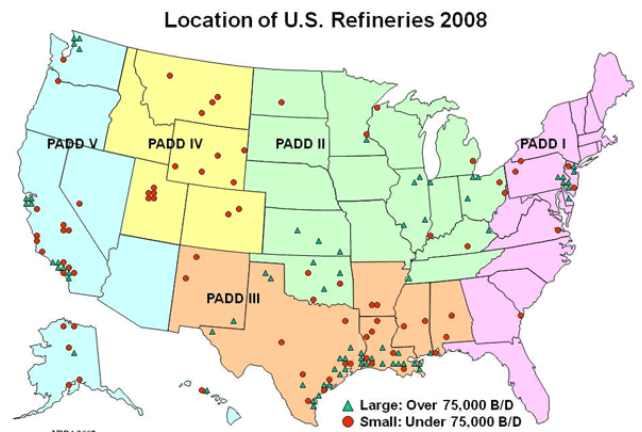
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May 22, 2009

Double Jeopardy: Both Refining Process and Product Emissions Would Be Regulated by H.R. 2454

- The Energy Independence and Security Act of 2007 essentially regulates greenhouse gas (GHG) emissions in the transportation sector. The law increases vehicle fuel efficiency standards to 35 miles per gallon by 2020, and establishes specific GHG reduction requirements for transportation fuels through a mandate requiring 36 billion gallons of renewable fuel to be used in the fuel supply by 2022.
- Title III of H.R. 2454 creates a new section of the Clean Air Act that holds refiners responsible for emissions resulting from the use of all petroleum-based fuels, both transportation and industrial – including home heating oil, as well as actual emissions from refineries.

Waxman-Markey’s Overwhelming Burden on American Refiners, and What It Means for Consumers

- American refiners must meet the earliest compliance mandate for fuels in 2013; other sources are not phased in until 2014.
- Compared to other industries, domestic refiners receive a disproportionately low number of emissions allowances to meet H.R. 2454’s requirements – just two percent to cover nearly half of the total U.S. carbon dioxide emissions as defined in the bill.
- Assuming a conservative carbon price of \$26 per ton with two percent of the emissions allowances, a domestic refinery with 100,000 barrels per day of capacity would have to spend roughly \$330 million annually if it were required to purchase emissions allowances for the fuels it produced.
- Aggregated, these costs would total roughly \$58 billion per year for the American refining community, and escalate over time as the cost of the program increases.
- Americans consumed nearly 270 billion gallons of refined products, such as gasoline, diesel fuel and jet fuel, in 2008. EPA’s even more conservative projected carbon cost of \$20 per ton assumes a significant increase in nuclear generation and low economic growth. At a minimum, consumers would pay almost \$54 billion more annually for gasoline, diesel fuel, jet fuel, home heating oil, and other petroleum products. Costs would increase as carbon costs increase over time.



Foreign Refiners Gain a Permanent Cost Advantage over American Refiners under H.R. 2454

- Importation of refined products could actually increase under H.R. 2454, thus impeding national energy security. American refiners, who already face stiff foreign competition in the fuels markets, would be severely disadvantaged. As domestic refiners face higher compliance costs, foreign refiners, whose facility emissions are not addressed in H.R. 2454 and whose costs are already low, will gain a distinct advantage in the marketplace.
- Foreign refiners are already competitive. Bloomberg, May 18, 2009: “Europe will export to the U.S. as much gasoline as the U.S. will take,” said Andrew Reed, an analyst with Energy Security Analysis Inc. in Wakefield, Massachusetts. ‘Regardless of price, they will be looking to unload in the U.S.’ ... India’s Reliance Industries Ltd. in December started a 580,000-barrel-a-day refinery in Jamnagar, with plans to export gasoline to the U.S.”