United States Senate
WASHINGTON, DC 20510

February 4, 2013

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

On January 29, 2013, the Office of Management and Budget (OMB) received from the Environmental Protection Agency (EPA) the proposed Tier 3 gasoline rulemaking. To keep America's refining industry strong and protect consumers, we urge your Administration not to move forward with proposing new Tier 3 gasoline regulations. This major rulemaking could cost U.S. refiners billions of dollars, raise gasoline manufacturing costs, make it harder for U.S. refiners to compete in the global marketplace, and discourage refinery expansion here at home. The result could create a need to import more gasoline, increasing our trade deficit and reducing our energy security. Moreover, there is a lack of clear evidence to show the Tier 3 sulfur reduction envisioned by EPA would benefit health.

Existing rules have already dramatically reduced sulfur in gasoline. The earlier Tier 2 rulemaking reduced sulfur by 90 percent, from an average of 300 ppm to 30 ppm. Benefits of this reduction continue to be realized, and are part of the reason why America's gasoline and other fuels remain some of the cleanest in the world. Although proponents of a further reduction cite a Navigant Economics study, which they say shows that health benefits of a further reduction are well established, the Navigant study failed to include any of its own analysis of the health benefits. Health impacts are far from being "well established." In fact, EPA did not establish the health benefits at all.

EPA asserts that Tier 3 standards are needed to achieve the 2008 ozone National Ambient Air Quality Standards (NAAQS); however, all counties newly designated out of attainment under that standard are expected to achieve attainment by 2015, prior to Tier 3 even going into effect. Additionally, if imposed, Tier 3 would increase refinery greenhouse gas emissions at a time when EPA signaled that the Agency wants to reduce these emissions. Specifically, a study by energy consulting firm Baker and O'Brien found that additional hydrotreating, necessary to comply with more stringent Tier 3 requirements, would increase emissions of greenhouse gases from the refineries themselves. This would place an extra burden on an industry already under pressure because of declining demand and additional new or forthcoming requirements.

The Navigant Economics study underestimates the costs of the regulation and its impacts on competitiveness by referencing an overly simplistic model that evaluates what would happen at a handful of hypothetical refineries unrepresentative of the industry. Baker and O'Brien provided a far more robust analysis that examines the impacts of a Tier 3 sulfur rule at each and every existing U.S. refinery. This analysis concluded the planned regulation could impose capital costs on the industry approaching $10 billion, corresponding to a recurring annual cost of $2.4 billion. That translates to an increase in gasoline manufacturing costs up to nine cents per gallon.

With the nation's continued slow growth, we need a competitive U.S. refining industry producing the vast majority of our nation's petroleum fuels here at home and employing hundreds of thousands of Americans. Today, the refining industry supports roughly 540,000 jobs and represents nearly 2 percent of GDP. The refining industry is already heavily regulated, and any additional regulations must be smart, practical, and necessary. Tier 3 regulations are discretionary. EPA should not proceed with new regulations without first providing a scientific demonstration of health benefits along with a thorough analysis of the economic and supply impacts. Since EPA has failed to do this, your Administration should not move forward with proposing Tier 3 gasoline regulations.

Sincerely,