

MEMORANDUM IN OPPOSITION

Pennsylvania Ultra Low Sulfur Heating Oil Mandate

ILTA is an international trade association that represents eighty-five commercial operators of bulk liquid terminals, aboveground storage tank facilities, and pipeline companies located in the United States and 42 other countries. In addition, ILTA includes in its membership more than three hundred companies that supply products and services to the bulk liquid storage industry. In the state of Pennsylvania, four ILTA members maintain corporate headquarters, and operate an additional thirty-three terminal facilities with a combined volume of 9 million barrels of storage capacity.

ILTA member facilities include deepwater, barge, and pipeline terminals whose bulk liquid commodities are essential to the national and international economies. These terminals interconnect with and provide services to the various modes of bulk liquid carriers, including oceangoing tankers, barges, tank trucks, rail cars, and pipelines. The commodities handled include petroleum products, chemicals, crude oil, renewable fuels, asphalt, animal fats and oils, vegetable oils, molasses, and fertilizers. Customers who store products at these terminals include oil producers, chemical manufacturers, product manufacturers, food growers and producers, utilities, transportation companies, commodity brokers, government agencies, and the military.

ILTA and its members are opposed to this particular legislation proposing drastic reductions in sulfur levels to 15 parts per million (ppm) for No. 2 heating oil by May 1, 2011, the bill's effective date. This standard will be virtually impossible for industry to meet so quickly, and extremely difficult to accomplish in less than a four-year lead time.

Furthermore, ILTA and its members oppose the implementation of a 15 ppm standard for heating oil. Such a low sulfur limit for heating oil unreasonably extends requirements for severe removal of sulfur beyond the Environmental Protection Agency's ultra-low sulfur diesel (ULSD) program. Such a requirement for Pennsylvania would preclude efficient disposition of material that will fall outside of the very narrow ULSD range. Such occasional exceedances must be anticipated due to the multiple sources of distillate in the region. A sudden catalyst breakthrough in manufacturing would result in small sulfur spikes. Transition material between diesel and jet fuel, which is compatible with 500 ppm fuel oil, will be generated with every interstate pipeline receipt. Imported material that is occasionally used to balance peak demand could be of marginal quality given the current 50 ppm standard for much of Europe. Any of these complications would require ongoing re-processing, resulting in significant inefficiencies, increased costs, and limited supply across already

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ILTA and its members do, however, support a reduction in the sulfur content of home heating oil to a level of 500 parts per million (ppm). We believe that this level of reduction would effectively assist the state in complying with Federal National Ambient Air Quality Standards for fine particles, sulfur dioxide and ozone. Before the legislature considers reducing sulfur levels to 15 ppm, it should endorse a goal the industry is prepared to meet—500 ppm and then, with the full implementation of the 500 ppm standard, evaluate whether an even lower standard will bring any appreciable environmental benefit.

If Pennsylvania ultimately considers implementing a sulfur standard below 500 ppm, ILTA strongly recommends that 50 ppm be considered as the minimum bound. Such a level would ensure that distillate product that marginally exceeds Environmental Protection Agency's 15 ppm ultra low sulfur diesel (ULSD) standard can be placed into an allowable, though limited market. There will remain a future need for placement of such material, typically originating from pipeline product interface, a manufacturing variance, and even import reliability. Home heating emissions for this grade of oil would not appreciably differ from ULSD emissions. Also, heating systems are capable of accommodating higher sulfur levels; current diesel engines are not. Any reductions below 500 ppm should occur over subsequent years, with full implementation no sooner than 2018. This schedule would provide reasonable time to evaluate the effectiveness of the initial reduction. It would also ensure more reliable capability across the regional supply chain including manufacturing, pipeline receipts, marine imports, and all other logistical considerations to maintain very low sulfur levels.

For the reasons stated above, ILTA opposes this legislation but supports a reduction in the sulfur content of fuel oil as used in home heating oil to a level of 500 ppm. ILTA further recommends that any consideration of further reductions to the allowable sulfur limits for heating oil be deferred until after implementation of this standard.

Thank you for your consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read 'R. Peter Weaver', with a stylized, cursive script.

R. Peter Weaver
Director of Regulatory Compliance and Safety