MARITIME EXCHANGE
for the Delaware River and Bay
Leading the Way to Port Progress

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Lisa B. Himber, Vice President
A. Robert Degen, Esq., Secretary/Solicitor

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Tri-State Congressional Members

RE: Renewable Fuel Standard (RFS)/Renewable Identification Numbers (RINs)

Dear:

The U.S. Environmental Protection Agency's recent announcement not to reduce 2018 biofuel volume requirements or agree to other changes to reduce RIN costs was devastating to Delaware River maritime concerns. Exorbitant RINs costs threaten the economic viability of the tristate port, particularly its independent refineries.

The Maritime Exchange for the Delaware River and Bay, with a mission to promote Delaware River maritime commerce, represents approximately 300 members, including independent refineries, general cargo facilities, and the businesses which service them. On behalf of those members, the Maritime Exchange asks that you contact EPA officials and the Trump administration to effect policy changes that would, in fact, reduce RIN costs, save current jobs, and create new employment opportunities.

Under RFS, companies must purchase compliance credits, or RINs, from large integrated refiners or other market participants. The standard currently requires refineries to demonstrate that renewable fuels are blended into our nation's gasoline supply, even when these refineries do not have the capabilities or resources to do so. Further, the RFS system subsidizes large, multinational oil companies at the expense of independent, local refineries.

Skyrocketing RIN costs are crippling the financial stability of Delaware River refineries. One example is Philadelphia Energy Solutions, a 335,000 barrel-per-day refinery in Philadelphia and a key supplier of transportation fuels and home heating oil to the eastern U.S. PES has been saddled with massive RIN compliance costs — it spent over $626 million from 2013 through 2016, and more than $300 million is projected for 2017. At almost twice the corporate payroll, RINs costs are PES' single largest expense. In 2016, the company reduced its workforce by over 70 employees, cut health and retirement benefits for remaining workers, and delayed capital projects as a result of RINs costs. It is our understanding that PES is now discussing restructuring with its lenders and may be forced by RINs to file for bankruptcy.

Similarly, PBF Energy paid $350 million to purchase RINs last year, equaling 66 percent of its $527 million capital budget. The Paulsboro Refinery incurred nearly $60 million in RIN costs, and the Delaware City Refinery, home to 550 employees, paid $300 million in RIN credits in 2016.

Monroe Energy, owner of the Trainor Refinery in Delaware County, paid $200 million last year.

Escalating RINs costs are preventing these refineries from creating new jobs and seriously threatening jobs that already exist. But the increasing costs affect more than just the refineries; the port industry overall will also fall victim to the RFS. Each year, more than 500 crude oil tankers — or about 20 percent of all ship traffic — arrive at Delaware River ports. Tanker activity effects everyone in the local maritime industry, including longshore workers, tugboat operators, river pilots, and many others; its loss will jeopardize their livelihoods if EPA fails to act quickly to reduce RINs costs.

In addition to maritime commerce, the RFS program directly affects oil consumers in the tristate region and beyond. Needless to say, we can anticipate supplies to decrease and costs to increase dramatically without speedy EPA action.

RINs traded for less than 6 cents per gallon when the program started, but the credits now range from 85 cents to over a dollar per gallon. Immediate relief is not only required, but essential. Smart and sensible solutions to alleviate rising RINs costs include:

- Changing the "point of obligation," so that the responsibility for complying with the program is proportional with a company's physical ability to blend ethanol and other biofuels into gasoline and diesel.
- Eliminating the de facto foreign biodiesel mandate. The law currently mandates more biodiesel than domestic biodiesel producers can make, resulting in a de facto foreign biodiesel mandate. EPA can reduce the biodiesel requirement to a level more reflective of actual domestic production.
- Lowering the overall volume of biofuel required to a level all engines and infrastructure can safely handle. This will lower the overall demand for the credits and lessen the cost.

Once again, we respectfully request that you contact EPA to express your support of a reasonable solution to addressing these concerns. Thank you for your consideration of a matter so critical to Delaware River maritime commerce.

Please contact me at dennis.rochford@maritimedelriv.com or at 215-925-2615 with any questions you may have or if you need additional information.

Sincerely,

Dennis Rochford

Dennis Rochford
President

cc: Lisa Himber, Vice President