



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

October 20, 2017

The Honorable Donald J. Trump
President of the United States
The White House
Washington, DC 20001

Dear Mr. President:

I write to ask your assistance in protecting hundreds of good paying energy sector jobs in Philadelphia and the surroundings area. Specifically, I bring to you my concern that the high cost of compliance with the Renewable Fuel Standard (RFS) Renewable Identification Number (RIN) credit is undermining the continued viability of the oil refining sector in the Northeast. I would like to work with your Administration to develop a path forward that lowers the compliance costs and protects these good paying, family sustaining jobs.

As you are aware, obligated parties, such as oil refiners are required to submit RIN credits in to the EPA to demonstrate compliance with the RFS. However, the merchant refiners of the Northeast are not able to acquire enough RIN credits to meet their RFS obligations because they have limited blending capacity. Therefore, they must purchase RINS on the secondary market, where prices have increased significantly.

What was once envisioned as a low to zero cost tool necessary to measure compliance with the RFS, has increased dramatically in cost due to speculation and trading on an unregulated market. In the years following passage of the RFS, RIN prices held steady at approximately 10 cents per RIN. However, in recent years, RIN prices have skyrocketed, dramatically increasing costs for northeast merchant refineries and putting their economic viability, and thousands of good paying jobs, at risk. According to Philadelphia Energy Solutions, the cost of purchasing sufficient RINs to comply with the RFS now exceeds its total payroll costs. Clearly, this was not anticipated when the RFS was conceived and passed into law. I am concerned that high RIN prices and the volatile market may lead to the closure of one or more of these merchant refiners, which would be devastating to the regional economy.

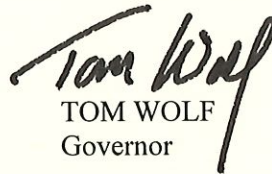
In Pennsylvania, Philadelphia Energy Solutions employs 1,200 people and Monroe Energy employs nearly 500. According to a Pennsylvania Department of Labor study, these direct jobs support nearly 30,000 indirect jobs in Southeastern Pennsylvania. In addition, refineries like Philadelphia Energy Solutions serve a vital national security interest. If these Northeast refiners were to close, the refiners of the U.S. Gulf Coast, which already produce 50% of the nation's refining fuel, would have to increase capacity. As demonstrated after Hurricane Harvey, these refiners being knocked offline will lead to price spikes. Therefore, it is in the national interest of the United States that the country's refining sector not become too regionally concentrated in the Gulf of Mexico region.

The Honorable Donald J. Trump
October 20, 2017
Page Two

The EPA has the legal authority under the Clean Air Act to waive, in whole or in part, renewable volume obligations, where the Administrator determines that implementation of the requirement would severely harm a state or regional economy, or would severely impact the United States' economy, CAA Section 211(o)(7)(A)(i). By this letter, I specifically request that you ask Administrator Pruitt to waive the renewable volume obligation for Northeast refiners until or unless the market prices deflate. Absent this waiver, the Northeast and specifically Pennsylvania will experience significant economic impacts, in that the nation's refinery sector may be almost eliminated in this region of the country, negatively affecting the manufacturing sector, the Commonwealth and regional economies, and the area where majority of our population lives and works. Such sector impact will also have a direct effect on our country's resiliency and ability to produce refined product in the wake of catastrophic events

The issues surrounding the Renewable Fuel Standard are complex, but the need to save good-paying, family sustaining jobs is not. I urge you to do all that you can to take steps to ensure that the refineries and their jobs are not jeopardized or eliminated. Over the years, I have worked hard to protect refinery jobs. I hope that the men and women working at these refineries can count on you to do the same.

Sincerely,



TOM WOLF
Governor