

Approved: 3-3-99
Date

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES.

The meeting was called to order by Chairperson Senator David Corbin at 8:00 a.m. on February 23, 1999 in Room 254-E of the Capitol.

All members were present.

Committee staff present:

Raney Gilliland, Legislative Research Department
Mary Ann Torrence, Revisor of Statutes Office
Lila McClafin, Committee Secretary

Conferees appearing before the committee:

Ken Peterson, American Petroleum Institute
Clint Riley, Wildlife and Parks

Others attending:

List not available.

The minutes of February 18 were presented for approval. With a motion from Senator Vratil and a second from Senator Tyson they were approved as written.

Chairperson Corbin opened the hearing on SCR 1611 -Encouraging the United States Environmental Protection Agency to take certain actions relating to sulfur levels in gasoline.

Ken Peterson, American Petroleum Institute, said the petroleum industry has brought forth a targeted proposal that would reduce sulfur in all gasoline year-round, but would provide greater reductions in areas of the country that have more significant air quality needs. He urged the committee to support the resolution and send it to EPA asking them to support it and to include it in the range of options in the rule that they will be proposing later this year (Attachment 1). Mr. Peterson said Governor Graves and four other mid west governors joined in the request to EPA. He responded to questions.

Staff pointed out a typo in the bill. Senator Huelskamp moved SCR 1611 be amended on page 1, in line 15, by striking "cards" and inserting "cars", and in line 42 after "That" by inserting, "if the EPA adopts a proposal to reduce gasoline sulfur levels"; in line 43, by striking "to reduce gasoline sulfur levels". Senator Tyson seconded the motion. The motion carried.

Senator Morris moved that SCR 1611 be adopted as amended. Senator Biggs seconded the motion. The motion carried.

SB 158-Propane education and research act; council created; assessments authorized.

Several members expressed concern with creating another agency and assessing more penalties. Senator Biggs moved that SB 158 be passed as amended. Senator Goodwin seconded the motion. On a division vote the vote was four to four with one abstention. Chairperson Corbin casting his vote against the measure to break the tie. The motion failed.

SB 246-Adoption of federal regulations concerning solid waste.

Senator Vratil moved that SB 246 be passed. Senator Morris seconded the motion. The motion carried.

SB 296 -Disposition and expenditure of moneys from fees related to regulation of hazardous waste.

The committee discussed the language on page 9, lines 14 to 18. Staff pointed out the need for a technical amendment on page 8, line 36, "perpetual care trust" would be struck and inserting "hazardous waste management". A member of the committee expressed concern with the cap imposed by the bill.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, Room 254-E Statehouse, at 8:00 a.m. on February 23, 1999.

Senator Biggs moved to adopted the technical amendment and **SB 296** be passed as amended. The motion was seconded by Senator Morris. The motion carried.

SB 285 –Mandatory hunting license revocation for certain big game violations.

Clint Riley responded to questions regarding the penalties imposed by the bill. Mr. Riley said more penalties could be imposed but the local judges are not prosecuting violations now.

A member or the committee suggested confiscating of the violators firearms. Another member thought it wouldn't change anything if the county attorney chose not to enforce the laws on the books. Another concern was the possibility of increase penalties for mutilation by removing the head of the deer and leaving the carcass. It was questioned if any of the purposed changes would make the violations imposed a felon rather than a misdemeanor.

Senator Biggs moved that **SB 285** be passed. Senator Morris seconded the motion. The motion carried.

Chairperson Corbin announced the committee would not meet again until the week of March 1. The meeting adjourned at 8:40 a.m.

INDUSTRY SULFUR PROPOSAL TALKING POINTS ON COST¹

Background

Everyone wants and expects clean air, but at a reasonable cost for the benefits received. Recognizing that air quality varies across regions of the U.S., the petroleum industry has brought forth a targeted proposal that would reduce sulfur in all gasoline year-round, but would provide greater reductions in areas of the country that have more significant air quality needs.

- The petroleum industry is proposing two new lower sulfur gasolines for the nation that will be available starting in 2004 and will result in significant emissions reductions. The first will contain an average sulfur level of 150 ppm with a per gallon cap of 300 ppm, and will be supplied in states with significant ozone air quality problems, mostly in the eastern half of the country. (Reformulated gasoline (RFG) will also contain an average sulfur level of 150 ppm.). The other new gasoline will contain an average sulfur level of 300 ppm with a per gallon cap of 450 ppm and will be supplied to your state, as well as all other states (except California), where air quality is relatively good. States that demonstrate the need for the 150 ppm gasoline in particular areas will be able to opt those areas into the program. The current national average gasoline sulfur level is 340 ppm.
- Both the 150 ppm and the 300 ppm lower sulfur gasolines are compatible with cleaner cars of the future, which EPA will likely require for the 2004 model year.
- Though you may not perceive sulfur in gasoline as an issue, EPA is likely to lower gasoline sulfur levels as part of its future Tier 2 tailpipe emission reduction standards rulemaking. Given the options currently available, the petroleum industry approach is the best alternative for your state.

Cost²

- The dual fuel proposal will cost refineries about \$3 billion in capital investments.
- The 300 ppm lower sulfur gasoline, which would be supplied in your state, will cost on average less than one cent per gallon (cpg) more to produce than today's gasoline.³
- An alternative approach that has been advanced by others, a 30 ppm average sulfur level nationwide (80 ppm cap), would cost 5 to 6 cpg (EPA estimate) more to produce on average than today's gasoline, a higher cost on average than the 300 ppm gasoline that would be supplied in your state under the petroleum industry proposal. The excess cost of this California-style gasoline is unnecessary in states where air quality problems are minimal. Why should motorists pay a premium for California-style gasoline when they don't have California's pollution problems? The petroleum industry's regional approach is more cost-

¹ Costs indicated in this paper are averages over all refinery costs. Actual costs will vary by refinery.

² Market forces will determine pump prices, which may not include full recovery of manufacturing costs.

³ Cost may be slightly higher in the Pacific Northwest where current sulfur levels are relatively high.

effective because reductions will be greatest in areas with the most significant air quality problems.

Cost-Effectiveness

- In general, the cost of reducing emissions by modifying vehicles is substantially less expensive than the cost of reducing them by modifying fuels.
- The industry's approach would save about \$3 billion per year when compared to proposals that would drastically reduce sulfur nationwide.
- It is important for EPA to approach gasoline sulfur reductions in a way that improves air quality and ensures fuel/vehicle compatibility, but is also cost-effective so that consumers are not faced with unnecessary costs. The petroleum industry proposal provides such an approach. Please urge EPA to support it and to include it in the range of options in the rule that will be proposed later this year.