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American Trucking Associations

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2010 NOV 30 P 2:4 **Pennsylvania Motor Truck Association**

910 Linda Lane, Camp Hill, Pennsylvania 17011

2874

November 29, 2010

Environmental Quality Board
P.O. Box 8477
Harrisburg, PA 17105-8477

Via electronic mail: RegComments@state.pa.us

RE: Pennsylvania Ultra Low Sulfur Heating Oil

The Pennsylvania Motor Truck Association¹ and the American Trucking Associations² (“ATA”) submit these comments in response to the Environmental Quality Board’s (“EQB”) proposal to reduce the maximum allowable sulfur content for fuel oils. As representatives of the trucking industry, ATA and PMTA are interested in matters affecting truck fleets, including the supply and price of diesel fuel.

Diesel fuel is the lifeblood of the trucking industry. Last year, the trucking industry consumed approximately 34 billion gallons of diesel. For most carriers, fuel is the second largest expense after labor. Due to the competitive nature of the trucking industry, which is dominated by small businesses, regional diesel fuel price increases are difficult to pass on to consumers. State-specific fuel specifications that increase the price of on-road diesel fuel sold in Pennsylvania produce a competitive disadvantage for trucking companies located within that State, as out-of-state carriers may reduce their costs of operations by refueling outside of the affected State while servicing accounts within the State.

In 2006, the Nation began a transition to ultra low sulfur diesel (“ULSD”) for on-road diesel fuel.³ This transition will be completed later this year when all on-road diesel fuel

¹ PMTA is dedicated to promoting the common business interests of people engaged in the motor transportation industry and representing the concerns of the trucking industry. Members include motor carriers, service and trade companies.

² ATA is a united federation of motor carriers, state trucking associations, and national trucking conferences created to promote and protect the interests of the trucking industry. Directly and through its affiliated organizations, ATA encompasses over 37,000 companies and every type and class of motor carrier operation.

³ U.S. Environmental Protection Agency regulations will require ULSD use in off road vehicles this year and locomotive and marine engines in 2012.

must meet the ULSD standard of 15 ppm sulfur. The removal of sulfur from on-road diesel fuel was required to enable the next generation of heavy duty diesel engine emissions control technologies, which cannot function using higher sulfur diesel fuel.

ATA and PMTA are concerned with the portion of the proposal that would phase in an ultra low sulfur (15 ppm) standard for heating oil. While the proposal would not alter the specifications for on-road diesel fuel, we are concerned that it will result in the need for additional refiner processing of higher sulfur distillate fuels and will increase the demand for a limited supply of ULSD. Both of these results likely will translate into a higher price for on-road diesel fuel.

For these reasons, we recommend that the EQB conduct a more thorough analysis of the available supply of ULSD and the impact that the proposed 15 ppm sulfur heating oil requirement will have on the on-road diesel supply and the Pennsylvania trucking industry. We also recommend that EQB calculate the impact upon diesel prices that would result from the elimination of a distinct heating oil market that functions separate from the on-road ULSD market. Unfortunately, the economic analysis accompanying the proposed regulation does not address adequately the impact that the regulation will have on the price of on-road diesel fuel and the trucking industry.

One of the primary environmental benefits described in the preamble to the proposed rulemaking is that a reduction in the sulfur content of fuel oil will enable the use of high-efficiency furnace and boiler technologies. We understand that these high efficiency combustion technologies would work with fuel oil containing up to 50 ppm sulfur. For this reason, we recommend that the EQB consider adopting a sulfur standard of 50 ppm rather than 15 ppm. Maintaining a higher sulfur standard for heating oil will enable the use of high efficiency furnaces while avoiding excess demand and price pressure for the Commonwealth's limited supply of on-road diesel fuel.

To further ameliorate the impact of the proposed sulfur reduction upon on-road diesel supplies, we recommend that the rule be phased in over a longer period of time. We recommend that Pennsylvania initially adopt a 500 ppm sulfur standard beginning in 2014 and then move to a 50 ppm sulfur standard in 2016. This phase-in has the added benefit of embracing a more regional approach to fuel distribution, and is similar to the fuel oil regulation recently promulgated by New Jersey. Providing refineries with additional lead time will enable those facilities that produce fuel oil for the Pennsylvania market to retrofit with the equipment needed to de-sulfurize a larger portion of the distillate supply.


* * * * *

ATA and PMTA members share the goals of improving air quality as envisioned in the proposal; however, we believe that the EQB must fully investigate and understand the

costs of each aspect of the proposal, including the impacts upon the on-road ULSD supplies and prices.

If you have any questions concerning the issues raised in this letter, please contact the undersigned at (703) 838-1910.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jim Runk". The signature is fluid and cursive, with a large initial "J" and "R".

Jim Runk
President and Chief Executive Officer
Pennsylvania Motor Truck Association

A handwritten signature in black ink, appearing to read "Richard Moskowitz". The signature is cursive and somewhat stylized, with a large initial "R".

Richard Moskowitz
Vice President & Regulatory Affairs Counsel
American Trucking Associations

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Cooper, Kathy

From: Richard Moskowitz [RMoskowitz@trucking.org]
Sent: Monday, November 29, 2010 5:32 PM
To: Richard Moskowitz; EP, RegComments
Cc: Jim Runk / PMTA
Subject: RE: Commercial Fuel Oil Sulfur Limits for Combustion Units
Attachments: PMTA-ATA PA heating oil regulation comments 112910.pdf

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To Whom It May Concern:

Please accept the attached comments jointly submitted by the Pennsylvania Motor Truck Association and the American Trucking Associations in connection with the proposed rule entitled "Commercial Fuel Oil Sulfur Limits for Combustion Units." Please acknowledge receipt of these comments by reply e-mail.

Richard Moskowitz

Vice President and Regulatory Affairs Counsel

American Trucking Associations, 950 North Glebe Road, Suite 210, Arlington, VA 22203

☎ Phone 703.838.1910 | Fax 703.838.1705 | ✉ rmoskowitz@trucking.org

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