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November 10, 2009

Mr. Arthur Marin
Executive Director
Northeast States for Coordinated Air Use Management
89 South Street, Suite 602
Boston, MA 02111

Re: Northeast/Mid-Atlantic Low Carbon Fuel Standard

Dear Mr. Marin:

On behalf of the Society of Independent Gasoline Marketers of America (“SIGMA”) and the National Association of Convenience Stores (“NACS”), I am writing to express our very serious concerns over proposals to develop a regional low carbon fuels standard (“LCFS”) for the Northeast and Mid-Atlantic States under the auspices of the Northeast States for Coordinated Air Use Management (“NESCAUM”).

SIGMA represents approximately 265 independent chain retailers and marketers of motor fuel. SIGMA members represent significant diversity within the industry. While 92 percent are involved in gasoline retailing, 66 percent are involved in wholesaling, 36 percent transport product, 25 percent have bulk plant operations, and 15 percent operate terminals. Member retail outlets come in many forms including travel plazas, traditional “gas stations,” convenience stores with gas pumps, cardlocks, and unattended public fueling locations. Some members sell gasoline over the Internet, many are involved in fleet cards, and a few are leaders in the mobile refueling movement.

NACS is an international trade association representing more than 2,200 retail and 1,800 supplier company members. NACS member companies do business in nearly 50 countries worldwide, with the majority of members based in the United States. The U.S. convenience store industry, with 144,875 stores across the United States (as of December 31, 2008), posted \$624 billion in total sales for 2008, with \$450 billion in motor fuels sales alone.

NACS’ and SIGMA’s members represent 80 percent of the country’s retail fuel sales.

We are extremely concerned that the adoption of an LCFS will have both immediate and long-lasting effects on the supply of motor fuels in Northeast and Mid-Atlantic states. As a result, an LCFS will raise consumer costs and threaten the region’s energy security. We urge you to reconsider any recommendation to create an LCFS in the NESCAUM region.

As you know, the eleven Northeast/Mid-Atlantic states are quite different from many other regions of the country. Petroleum refineries are only located in three of these states. By comparison, for instance, California has many refineries. California is supplied by these refineries with petroleum transportation fuels and is not dependent on imported finished petroleum products.

An LCFS on the national level or even regional level could be the most costly mechanism for reducing greenhouse gases with the least amount of benefit. With a limited supply of available alternatives to petroleum, refiners would have few options to comply with an LCFS other than reducing supply. This would lead to significantly higher costs for marketers and consumers. In addition, one of the only potential compliance options for an LCFS could be greatly increasing the amount of ethanol in the fuel supply. Dramatic expansion on the use of ethanol raises numerous concerns under current law, including (1) compatibility with current infrastructure, (2) liabilities associated with manufacturers' warranties, and (3) toxic tort lawsuits. In short, our members simply cannot afford an LCFS that may decrease supplies of motor fuels and/or requires very expensive modifications (by our estimate, perhaps more than \$200,000 per retail location).

Given these concerns, we believe an LCFS would only lead businesses and consumers to pay more for less energy, potentially damaging cars and non-road engines and threatening consumer safety in the process. We urge you to reconsider advocating for such a proposal among NESCAUM member states.

Sincerely,



James D. Barnette
Counsel to SIGMA and NACS