



March 7, 2013

Testimony of
Steven Guveyan, Connecticut Petroleum Council
In Opposition to Sec. 18, Lines 795-797, HB-6360, Low-Sulfur Heating Oil Fuel
Amendments Recommended

The Connecticut Petroleum Council---a trade association representing major oil companies, refiners and terminal operators doing business in Connecticut---strongly opposes Sec. 18 (lines 795-797) of HB-6360, and seeks to amend it before the bill moves forward. It requires reducing the sulfur content of heating oil from 3,000 parts per million (ppm) to 50 ppm immediately upon passage of the bill, and to 15 ppm beginning July 1, 2013. If passed as written, the immediacy of the two-step reduction threatens to place extreme price and supply pressure on heating oil and diesel fuel consumed in this state, because no one has been given the necessary lead-time to prepare for the change in fuel specifications. We know of no manufacturer of any consumer product in any state that has been required to change its chemical composition twice in such a short time-frame with no advance notice.

Instead, we propose more rationale change: Allow the refining industry a two-part step down in reducing sulfur levels: Four (4) years to get to 500 ppm, and then 2 additional years to reach 15 ppm, a time period normally granted by EPA when fuel rules change. If that is deemed too long, then as an alternative, we ask you to: (1) Amend HB-6360 and insert a 500 ppm standard, effective 7/1/14; (2) delete the 50 ppm standard altogether; and (3) add a 15 ppm standard becoming effective on 7/1/18, thereby making the Connecticut rule consistent with the Massachusetts rule, and allowing for the free flow of fuel between the two states, which is substantial. The move to 500 ppm fuel by 7/1/14 means the state will get an 84% reduction in sulfur content very, very quickly. We don't believe it can be done effectively in any less time than that, and even that time-frame is very tight.

We strongly advise against the 50 ppm standard in the bill, because there is no 50 ppm standard anywhere in the U.S.; we also advise against making any such change in fuel rules effective upon passage, or as soon as 7/1/13, or changing it twice in such a short time-frame, because most fuel is bought and sold under long-term supply contracts. If the bill is not amended, the price impact on heating oil and diesel customers here potentially could be quite severe.

LOW-SULFUR FUEL

Currently, motor vehicles are required to use 15 ppm ultra-low sulfur diesel fuel (ULSD). An

immediate move (7/1/13) to 15 ppm for ultra-low sulfur heating oil means that homeowners and businesses will be consuming the same fuel that trucks and buses use, thereby putting homeowners in direct competition with diesel fuel users, such as trucks. Demand for diesel fuel is growing world-wide, and prices are high---higher than for standard heating oil. If passed as written, Sec. 18 will place extreme pricing pressure on diesel fuel and home heating oil, which according to this bill, would now effectively be the same fuel. Passing the bill without amending it means you support moving needlessly from a lower-priced fuel to a higher-priced fuel, one that will impact every low-income and middle-class family that uses home heating oil. It most likely will also impact every diesel user and trucker in the state, since the heating oil industry will now be buying ULSD for homeowners to burn, and ULSD will be in short supply.

The price differential between 15 ppm ULSD and standard 3,000 ppm heating oil in New York Harbor shows ULSD (diesel) to be almost always more expensive; the wholesale price spread ranged up to 20 cents-per-gallon more this past fall, according to The Wall Street Journal. Had Sec. 18 of HB-6360 passed last year, homeowners in Connecticut would have been paying substantially higher heating oil costs this winter.

The 15 ppm standard for ULSD was introduced in order to enable advanced after-treatment devices on engines that reduce tailpipe emissions in cars, trucks and buses. Removing sulfur was a prerequisite to avoid damage to catalytic after-treatment devices. The use of 15 ppm fuel is NOT required for homeowner burners, boilers and furnaces.

In extremely cold weather, ultra-low-sulfur (15 ppm) kerosene may be needed to increase lubricity, and that fuel historically is in short supply.

Finally, there is a strong likelihood that requiring ultra-low-sulfur heating oil will increase greenhouse gas emissions, in direct conflict with the legislation passed by the Connecticut General Assembly in 2008 (HB-5600, PA 08-98) requiring a 10% reduction in greenhouse gas (GHG) emissions by 2020 compared to 1990 levels, and an 80% reduction by 2050 compared to 2001 levels. Removing sulfur is an extremely energy-intensive process which will emit GHG's to burn the fuels needed to de-sulfurize. De-sulfuring of distillates (heating oil and diesel fuel) is generally accomplished by hydro-treating. To produce the hydrogen needed for hydro-treating, most refineries must "crack" natural gas or refinery fuel gas to obtain the hydrogen needed for the process. The result of this process is, ironically, to produce large amounts of carbon dioxide (CO₂), because the carbon atom being cracked is oxidized to CO₂. The amount of hydrogen needed for hydro-treating the part of the distillate pool not already at 15 ppm is significant. Therefore, a decrease in sulfur, especially to 15 ppm, will likely yield more greenhouse gases.

We bring to your attention the fact that although greenhouse gases (GHG's) emitted from refineries in order to produce low-sulfur home heating oil are out-of-state (e.g. Philadelphia, Delaware, NJ and the Gulf Coast), the Connecticut law passed in 2008 requires DEEP to use full life-cycle analysis when studying greenhouse gases, which means those emissions in out-of-state refineries somehow need to be offset here in Connecticut---a problem which no one has yet solved!

If necessary, we recommend convening a small working group to re-draft Sec. 18 of the bill. Thank you for taking our testimony.