February 16, 2017

Via e-filing on www.regulations.gov

Julia MacAllister  
Assessment and Standards Division  
Office of Transportation and Air Quality  
Attention Docket ID No. EPA-HQ-OAR-2016-0041  
Environmental Protection Agency  
2000 Traverwood Drive  
Ann Arbor, MI 48105

Re: Docket ID No. EPA-HQ-OAR-2016-0041: Proposed Rule on Renewables Enhancement and Growth Support Rule; Federal Register Vol. 81, No. 221 (November 16, 2016); RIN 2060-AS66

Dear Ms. MacAllister:

GPA Midstream Association appreciates this opportunity to submit comments in response to the Proposed Rule on Renewables Enhancement and growth Support Rule (REGS) issued by the Environmental Protection Agency (EPA) on November 16, 2016.

GPA Midstream has served the U.S. energy industry since 1921 as an incorporated non-profit trade association. GPA Midstream is composed of nearly 100 corporate members that are engaged in the gathering and processing of natural gas into merchantable pipeline gas, commonly referred to in the industry as “midstream activities.” Such processing includes the removal of impurities from the raw gas stream produced at the wellhead as well as the extraction for sale of natural gas liquid products (NGLs) such as ethane, propane, butane, and natural gasoline or in the manufacture, transportation, or further processing of liquid products from natural gas. GPA Midstream membership accounts for more than 90% of the NGLs produced in the United States from natural gas processing.

GPA Midstream supports EPA’s inclusion of natural gasoline as an acceptable blendstock for ethanol flex fuels (EFF). GPA Midstream member companies produce natural gasoline as part of their fractionation process. The natural gasoline is then sold to ethanol producers that use the natural gasoline as a denaturant.

The REGS proposed rule requires sulfur levels to be reduced to 10 ppm and .62 benzene specifications if our members wish to sell “certified” denaturant to the ethanol industry. GPA Midstream opposes these new requirements because they impose unnecessary costs on our members, potentially closing off a revenue stream for our sector. The requirements are largely unattainable without a massive investment of capital and infrastructure. GPA Midstream
believes that the proposed rule as currently drafted will lead to the exclusion of natural gasoline as a feasible blendstock in EFF.

Furthermore, GPA Midstream understands the need for the proposed specifications but recommends caution in adopting a broad specification applicable to the entire industry. The proposed rule will create an unnecessary availability shortage due to our members not being able to meet the new overly restrictive standards.

I. Certified Natural Gasoline Blendstock Cost and Availability

EPA fails to account for the current availability of 10 ppm sulfur/.62 ppm benzene natural gasoline blendstock. Although there may be some natural gasoline that meets one specification or the other, natural gasoline that meets both is currently not available to customers in quantities sufficient to satisfy demand for denaturant and natural gasoline used as EFF blendstock.

EPA’s “Natural Gasoline Memorandum” speculates that a natural gasoline product meeting both the proposed sulfur and benzene standards exists and is available is not accurate. Natural gasoline blendstock that meets EPA’s proposed specifications of 10 ppm sulfur/.62 ppm benzene is not readily available to EFF blenders. In the rare exception that there is a product that meets these specifications, GPA Midstream believes it is not currently available in the volumes sufficient to satisfy the demand the proposed rule would create.

EPA’s “Natural Gasoline Memorandum” vastly underestimates the costs that GPA Midstream members would bare to meet the proposed specifications. GPA Midstream members would need to invest millions of dollars in equipment costs to have the capability to remove either sulfur or benzene from their natural gasoline. For example, a high volume supplier would have increased costs as they would either have to spend more to treat their entire production stream or they would need to add equipment and storage to separate their natural gasoline sales stream for a smaller treatment unit. Based on initial estimates and understandings associated with the potential technological requirements to meet the proposed rule, the costs for sulfur and benzene removal equipment would be significant and would require multi-year pay contracts that the denaturant market could not assume. The estimated cost of the sulfur removing equipment would be in the neighborhood of $50 million. This additional equipment would also increase operating costs and increase cost of maintenance requirements. With the ethanol market environment being as volatile and short term as it is, the business justifications behind such substantial investments are greatly diminished if not eliminated. Simply put, the economics behind compliance with the proposed REGS rule are far more challenging than as presented in EPA’s “Natural Gasoline Memorandum.” In addition, the “Natural Gasoline Memorandum” does not address the increased costs natural gasoline producers would face as they attempt to dispose of a concentrated benzene stream. Any such costs would likely get passed onto to GPA Midstream members and would further increase the cost of this already expensive proposed rule.
II. GPA Midstream Counterproposal

The REGS Proposal deemphasizes the fact that denatured fuel ethanol (DFE) has inherently low sulfur and benzene composition. The majority of the DFE has a sulfur content between 1.00 to 3.00 ppm and a benzene content of less than 0.03 percent by volume. Through the alternative compliance methods allowed under the Tier 3 rules, many ethanol producers would be able to demonstrate this low sulfur content level. See 40 C.F.R. § 80.1642(c).1 Benzene is not present in ethanol, and thus would serve to dilute any benzene concentrations in the natural gasoline. See 81 Fed. Reg. 80,828, 80,855. Given these characteristics, it is unnecessary for EPA to mandate that certified natural gasoline blendstock meet the specifications of the finished EFF blend. GPS Midstream also notes that the Tier 3 rules for certified denaturant producers only just became effective on January 1, 2017. Accordingly, another substantial reduction in associated standards as in the REGS proposal is premature, and as set forth in more detail below, likely without any benefit.

Producers of certified natural gasoline blendstock should be able to certify batches of natural gasoline at various specifications above 10 ppm sulfur/0.62 volume percent per-gallon benzene, as presently included in the Tier 3 Rules and specify in the product transfer documents that based on the characteristics of the certified natural gasoline blendstock certain percentages of it may be blended with DFE or ethanol to create a finished fuel that meets the 10 ppm sulfur/0.62 benzene specifications.2 Additionally, in lieu of requiring individual testing of batches through the full-refiner option, EPA should allow EFF producers a similar level of flexibility afforded by the Tier 3 alternative compliance methods to demonstrate, through calculations, product transfer documents which detail the characteristics of the ethanol and certified natural gasoline blendstock, and a certification of blend proportions, that the final EFF product meets the 10 ppm sulfur/0.62 benzene specifications.

For example, with a blend of 70% DFE and 30% natural gasoline, the natural gasoline could have over 25 ppm sulfur and almost 2% benzene, yet create a finished EFF blend meeting the 10 ppm sulfur and 0.62 benzene requirements. Similarly, when creating a summer-time EFF blend of, for example, 83% ethanol and 17% natural gasoline, the natural gasoline blendstock could have significantly higher benzene and sulfur composition than that proposed in the rule, but the finished fuel would remain compliant. In short, EPA has under-estimated the dilution

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1 Or, in the alternative, the Tier 3 regulations allows gasoline refiners to assume that DFE has a sulfur content of 5.00 ppm. See 40 C.F.R. § 80.1603(d)(1)(ii)(B).

2 The REGS Proposal acknowledges that potential additional grades of natural gasoline may be an avenue to afford EFF producers who wish to use natural gasoline blendstock additional flexibility. See 81 Fed. Reg. at 80,857-80,858.
effect of ethanol given its assumptions regarding use of 330 ppm sulfur denaturant. This rings especially true when the EFF hydrocarbon is also used for denaturing the DFE.

Conclusion

In light of the substantial and unnecessary costs imposed by this proposed rule along with unavailability of natural gasoline meeting the specifications of the REGS Proposal, GPA Midstream requests EPA reconsider its approach to ensuring EFF produced using natural gasoline blendstock attain the standards required of the finished fuel.

GPA Midstream appreciates the agency’s consideration of our comments. If you have questions or we can be of further assistance then please contact me at (202) 279-1664 or by email at mhite@GPAglobal.org.

Sincerely,

Matthew Hite
Vice President of Government Affairs
GPA Midstream Association