

Tier 3 Compliance Issues

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**Marathon
Petroleum Company LP**



Marathon Petroleum Statistics at a Glance

- Fortune 50 company
- Established in 1887
- 4th largest U.S. refiner
 - Largest in Midwest
- Employees: approximately 30,000
- Headquartered in Findlay, Ohio
- Approximately 1,480 Speedway convenience stores
- Approximately 5,200 Marathon Brand retail outlets
- Extensive terminal and pipeline network



Tier 3 Compliance Issues

- Any sulfur cap limit less than the current 80 ppm per gallon will increase the frequency of supply disruptions
- The Industry needs additional time to comply with the program
 - Extend compliance deadline to January 1, 2019 or,
 - Allow direct conversion of banked Tier 2 credits and generation of early Tier 3 credits to provide flexibility with January 1, 2017 compliance deadline

Permitting & Efficiencies

- Cannot begin this process until the rule is finalized
- Cannot begin field construction until we have the permits
- MPC may potentially have major investments needed in Texas for Tier 3 compliance at one or more refinery locations but we cannot reasonably estimate the cost at this time
- GHG permits for Texas facilities are currently facing a two year wait, not the 6 to 9 months that EPA assumed in their project timeline
- The fact that a key refining area in the country must deal with permit delays could result in unanticipated supply disruptions
- The EPA has proposed less than three years to design, permit and implement projects necessary for compliance with the new Tier 3 fuel standard:
 - This schedule is shorter than those provided in previous rules
 - Refiners will be forced to implement process changes outside of turnaround cycles
 - These additional outages will lead to reduced supply

Sulfur Credits

- Industry does not know how many Refiners can generate a significant quantity of early Tier 3 sulfur credits
- Industry does not know the balance of Tier 2 sulfur credits
 - Industry has asked EPA to provide us with a summary but they have yet to supply
 - Refiners may be unable to convert sufficient Tier 2 to Tier 3 sulfur credits
 - Proposed Tier 3 sulfur credit program may be insufficient to bridge project implementation period
- A potential solution may be to fully utilize excess Tier 2 sulfur credits:
 - Convert all Tier 2 sulfur credits to early Tier 3 sulfur credits on January 1, 2017
 - Extend the life of all converted credits by five years to December 31, 2021
 - Remove expiration date from all standard Tier 3 sulfur credits

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Questions?

