



March 25, 2005

Honorable James M. Inhofe  
US Senate  
Washington, DC 20510

Honorable Joe Barton  
US House of Representatives  
Washington, DC 20515

Mr. Inhofe and Mr. Barton:

This letter is to reiterate API's, NPRA's and AOPL's support of EPA's ultra low sulfur diesel (ULSD) regulations and the regulatory standard of 15 parts per million (ppm). We are seeking no delay of or change to that standard. On January 18, 2001 EPA finalized the highway diesel rule and on June 29, 2004 EPA finalized the nonroad diesel rule. Through the use of a fuels/systems approach, both of these regulations will drastically cut emissions from diesel engines, providing significant environmental benefits. Our member companies are committed to the sulfur specifications mandated by both regulations, including the 15 ppm standard.

Our member companies have already made tremendous capital expenditures, and continue to make significant investments, in preparation for meeting the requirements of the ULSD regulations. In fact, the nation's refiners have already begun to provide limited quantities of ULSD into the nation's diesel fuel supply, despite the fact that the regulations do not take effect until June 1, 2006.

Industry concern over protecting the nation's fuel supply is not an effort to alter or delay the ULSD fuel specifications. The primary goal must be to ensure that the nation's fuel demands continue to be met while meeting the environmental goals of the regulations. In order to address transitional distribution system issues and ensure that the nation's fuel demands are met, API, NPRA and AOPL have requested that EPA allow some reasonable flexibility in the supply and distribution system early in the program. This will enable product to be supplied while the system resolves technical difficulties that are likely to arise. Flexibility is reasonable when the nation is implementing an unprecedented and substantial change in its fuels regulations; it is essential when the nation's fuel supply is at issue. If EPA is unable to accommodate a limited degree of flexibility in addressing infrastructure concerns, industry may not be able to supply ULSD for all new buses and trucks in some markets.

The ULSD program is an unprecedented change in diesel fuel and in the handling practices that will be employed by the diesel fuel supply and distribution system. This ultra-low sulfur product must be moved over long distances, often through facilities that handle numerous other products with significantly higher sulfur levels. Recent testing shows that despite significant investment, the distribution system may not be able to

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deliver projected demand volumes of ULSD to all markets and will not be able to do so until some time after the regulation takes effect. Significant volumes of ULSD flowing through the system on a national basis, with regular shipments of ULSD in individual systems, is essential for establishing certainty in ULSD delivery capabilities and for determining where additional investments are needed.

The 15 ppm standard will work, but not without an opportunity for the supply and distribution system to react to the change and to the technological uncertainties that are inherent in the system. One significant variable is the effect that a long distribution chain may have on ULSD fuel. Congress, the Administration and, most importantly, EPA, must be made aware of such variables in order to avoid any potential disruptions to the nation's diesel fuel supply.

Our industry is committed to being a vital and reliable provider of energy to the nation. We continue to achieve this goal by meeting rising demand, fueling economic growth and enabling an enhanced quality of life. API, NPRA, AOPL and our member companies fully intend to comply with the new ULSD fuel requirements and to provide the country its diesel fuel supply. We should not lose sight of the fact, however, that the supply and distribution system will not face its first true test of moving this sensitive product until the regulation takes effect and ULSD starts flowing throughout the system. We must all understand that the system will have to adapt to and will need time to overcome the unforeseen difficulties that are likely to arise in moving ultra low sulfur diesel to market. We all need to work together to avoid market disruptions and to make that process as smooth as possible.

Very truly yours,



Red Cavaney  
President  
American Petroleum Institute



Bob Slaughter  
President  
National Petrochemical & Refiners Association



Benjamin S. Cooper  
Executive Director  
Association of Oil Pipe Lines

Cc: Karl Rove                      Bud Albright, Energy and Commerce Committee  
James Connaughton      Reid Stuntz, Energy and Commerce Committee  
Stephen Johnson              Andrew Wheeler, Environment and Public Works Committee  
Samuel Bodman              Ken Connolly, Environment and Public Works Committee  
Jeffrey Holmstead