



Chet M. Thompson  
President and CEO

**American  
Fuel & Petrochemical  
Manufacturers**

1800 M Street, NW  
Suite 900 North  
Washington, DC  
20036

202.457.0480 office  
202.844-5505 direct  
202.457.0486 fax  
Cthompson@afpm.org

May 22, 2019

The Honorable Frank Pallone  
2125 Rayburn House Office Building  
Washington, DC 20515

The Honorable Greg Walden  
2322 Rayburn House Office Building  
Washington, DC 20515

RE: Full Committee Hearing Entitled, “LIFT America: Modernizing Our Infrastructure for the Future”

Dear Chairman Pallone and Ranking Member Walden:

The American Fuel & Petrochemical Manufacturers (AFPM) is a trade association representing high-tech American manufacturers of virtually the entire U.S. supply of fuels and home heating oil, as well as the petrochemicals used as building blocks for thousands of vital products in daily life. AFPM members make modern life possible and keep America moving and growing as they meet the needs of our nation and local communities, strengthen economic and national security, and support over three million American jobs.

AFPM supports efforts to modernize and improve U.S. infrastructure. However, as this Committee considers the Leading Infrastructure for Tomorrow’s America Act, H.R. 2741, we want to address concerns with several provisions and hope that the Committee will work with AFPM and its members to address these concerns.

First, under Title III, Subsection C, we are concerned about the \$4 billion being authorized for improvements to the Strategic Petroleum Reserve (SPR) to make it “environmentally sound.” The language in H.R. 2741 does not define what “environmentally sound” is nor does it give direction on how the Department of Energy (DOE) would go about defining it. The SPR was created for use only in the event of an emergency supply shortage. It was designed to protect this country from future crude oil supply disruptions, including those caused by embargoes and natural disasters. We would like to work with your Committee to have a better understanding of how this \$4 billion authorization would work, and to ensure that SPR crude is available when needed.

Additionally, under Subsection C, we have strong concerns about the creation of a Northeast and Southeast refined products reserve, and the grant of authority to DOE to establish other regional reserves as necessary. While the SPR’s creation was prompted by crude oil supply shocks and shortages, there is no pressing need for the creation of additional refined product reserves, which could in fact have some adverse unintended consequences, including significant costs and logistical and distribution implications.

Federal and state authorities have repeatedly concluded that refined products reserves are infeasible or unnecessary. For instance, the California Energy Commission has reviewed and rejected the feasibility



of such a reserve, because it could displace private inventories and reduce the incentive for new private storage capacity. Such unintended consequences would ultimately be harmful to consumers and, in some cases, subvert the goal that the reserve was trying to achieve. The National Petroleum Council, a standing advisory body to the Secretary of Energy, also concluded that such fuel reserves are not appropriate for the U.S.

Refiners have historically reacted and adjusted to supply challenges without the need for product reserves. Indeed, petroleum markets respond to supply and demand changes with price movement that provide the incentive to increase or decrease supply to correct any imbalance. The mere presence of a refined products reserve creates market uncertainty. While barrels released from a reserve can provide immediate supply during an emergency, the product is often stored in the same location as commercial stocks, and as a result may be equally as inaccessible. Even the location of this reserve is complex, as any single location addressed only a limited number of contingencies, and multiple locations could substantially increase the costs.

Lastly, AFPM is concerned about the authorization, under Subsection C, of over \$1.8 billion that will go towards supporting electric vehicles (EV) and charging infrastructure. At a time when our nation's roads, bridges, pipeline, and rail infrastructure are in desperate need of replacement and upgrades, these authorizations are merely a transfer to wealthy Americans. EVs are, for the most part, expensive luxury or performance vehicles that only the wealthy can afford. In 2016, 78 percent of the EV tax credit (Section 30D) was claimed by those making more than \$100,000 a year.

While our transportation and infrastructure projects are financed by gasoline and fuel taxes, EV owners are essentially exempted from paying their fair share despite using our roads and bridges, causing wear-and-tear. AFPM believes that all vehicle owners and operators, no matter what fuel type they choose, must pay their fair share for road maintenance and repair.

It is projected for 2019 that over 61% of all EV sales will occur in California, even though California represents about 12% of the car market in the U.S. These vehicles and the infrastructure to fuel them are a wealth transfer to California at an expense to the other states.

AFPM and its members are proud that the internal combustion engines are 55% cleaner than those manufactured in 1970. We've also reduced air pollution by 73 percent between 1970 and 2016, even as vehicles miles traveled have nearly tripled, and the economy has grown by 253 percent.

The energy policies put forward by Congress must allow for a free market so that consumers are able to choose the vehicles and energy sources they desire. We should not subsidize at the federal, state or local level, the adoptions of EVs and the charging infrastructure needed to support vehicle operation for wealthy Americans. In fact, infrastructure policy should acknowledge that vehicles with internal combustion engines are driving further and staying on the road longer on a cleaner gallon of gasoline.

We look forward to working with you on these important issues as this legislative process moves forward.



Sincerely,

A handwritten signature in black ink, appearing to read 'Chet Thompson' with a long, sweeping flourish extending to the right.

Chet Thompson  
President and CEO  
American Fuel & Petrochemical Manufacturers