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The Honorable Frank Pallone
Chairman
Committee on Energy and Commerce
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Greg Walden
Ranking Member
Committee on Energy and Commerce
2322-A Rayburn House Office Building
Washington, DC 20515

Dear Chairman Pallone and Ranking Member Walden,

The American Fuel & Petrochemical Manufacturers (AFPM) appreciates the opportunity to submit testimony for the record for the June 16, 2020 hearing "*Reviving our Economy: COVID-19's Impact on the Energy Sector*." AFPM proudly represents nearly all of U.S. refining and petrochemical capacity. Our members produce the gasoline, diesel, and jet fuel that power the U.S. transportation sector, as well as the petrochemicals that serve as the basic building blocks that enable people to live safe and modern lives, including health care and hygiene products and food packaging. AFPM's members support 3.5 million U.S. jobs.

Our industries were rightfully classified as essential infrastructure by the Department of Homeland Security and state and local authorities, allowing our companies to continue meeting needs "critical to public health and safety, as well as economic and national security." This designation was a recognition that our members' products are critical to our nation's response to COVID-19. They keep our medical environments safe and sanitary. The petrochemicals that comprise single-use plastics reduce contamination in medicine, medical products, and food. Petroleum-based soaps used by medical professionals greatly reduce the risk of infection. Carbomer polymers and glycerin are key ingredients in hand sanitizer. Disposable gloves are made from the petrochemicals latex, vinyl, and nitrile. Disposable face masks and medical gowns often consist of synthetic polymers, and disposable syringes, bags that hold blood and saline, and tubing used for intubation are all made of plastic. And the transportation fuels we produce help ensure that store shelves are stocked, ambulances are running, and that essential employees can get to their jobs every day. This is just a very short list of the ways in which our industries are actively contributing to the response against COVID-19.

However, in meeting these critical needs, the refining and petrochemical industries have faced significant operational and market challenges from COVID-19. Operationally, there is nothing more important than the safety of our workers and AFPM members take the COVID-19 threat very seriously. Our members have implemented restrictive pandemic planning measures to reduce workforce exposure and to severely limit the possibility of community spread within their facilities. Non-essential employees have been placed on telework; all travel, both domestic and international, is restricted; social distancing protocol is in effect in control rooms, at docks, and for essential employees at the corporate level; truck drivers are no longer allowed to exit their vehicles when making deliveries; and non-critical inspections



and audits have been postponed, among other measures. AFPM and our companies also continue to think ahead and plan for additional emergency response scenarios, for instance how our companies will respond in the event of a hurricane.

The operational challenges have been compounded by market challenges. The refining industry has faced a particularly unprecedented reduction in demand for its products over a short period of time. In fact, March, April, and May demand for total refined products such as gasoline, diesel and jet fuel, fell by 30 percent to average 12.4 million barrels per day compared to 17.4 million barrels per day for the same period last year. At various points, gasoline demand fell by more than 50 percent, diesel fell by 25 percent, and jet fuel demand fell by 85 percent. Refinery utilization fell below 70 percent for much of March, April, and May, compared with 90 percent in a typical operating year. The impact was felt even more deeply by refineries on the West and East Coasts. As states begin to reopen some product demand has begun increasing, although it is still below average by 20 percent or more. There also remains significant volumes of gasoline and diesel in storage that will continue to place pressure on refiners. For this reason, utilization is expected to increase more slowly than demand as the market works through existing inventory. In a typical year, the U.S. also exports more than 3 million barrels of product per day to other markets, mostly in Mexico and Latin America, with some diesel exports to Europe. The impact of COVID-19 on these export markets will be a critical factor in how long the refining industry will take to recover.

The U.S. petrochemical industry has likewise faced significant challenges as automotive; aerospace, construction, oil and gas and other industrial sectors have reduced their inputs. This reduction in demand has coincided with low oil prices eroding the U.S. petrochemical industry's feedstock cost advantage over competitors globally.

Despite these significant operational and market challenges, AFPM's members have not and do not seek any sector-specific financial assistance. AFPM firmly believes that as the global economy recovers, the U.S. refining and petrochemical industries will continue leading as the most efficient refiners and petrochemical manufacturers in the world. All industries impacted by the government-driven response to this public health crisis should continue having access to more general relief programs, particularly those that provide liquidity. Beyond that, however, Congress should not take any steps that will make recovery for our critical industries slower or harder.

AFPM members are committed to doing their part to limit the spread of the disease, while maintaining the core services and functions our nation requires daily. AFPM appreciates the Committee's attention to this critical issue.

Sincerely,

Chet Thompson