JOINT RESOLUTION NO. 7

A JOINT RESOLUTION urging the President of the United States and the United States Environmental Protection Agency to take appropriate action to issue waivers and implement other reforms to allow for the blending of renewable fuels under the federal "Clean Air Act," while containing costs for independent refiners.

WHEREAS, Over the past year, United States refiners have been devastated by spiking, volatile Renewable Identification Number (RIN) prices under the federal Renewable Fuel Standard (RFS) program and a dramatic reduction in the use of fuel that was triggered by the COVID-19 pandemic. These factors have resulted in a shortage of RINs, and eight refinery closures, throughout the nation; and

WHEREAS, The United States Environmental Protection Agency (EPA) has authority from Congress to waive the RFS program's renewable fuel requirements "in whole or in part" if the EPA Administrator determines that "implementation of the requirement would severely harm the economy" of a State, region, or the United States; and

WHEREAS, Many independent refiners already struggle with slim margins and the RFS program's RIN requirements, as well as the manner in which the unregulated RIN market operates without oversight and subject to speculation and fraud, all of which are currently inflicting serious economic harm on those businesses; and

WHEREAS, Current RFS compliance expenses exceed refineries' combined annual costs for labor, utilities, and maintenance, making the costs of such compliance refineries' largest expense, other than the purchase of crude oil; and

WHEREAS, RIN prices have dramatically increased as a result of the COVID-19 pandemic, increasing from as low as 10 cents at the beginning of 2020 to nearly $2.00 in June 2021, and leading to a consequent increase, of approximately 30 cents per gallon, in the cost of making gasoline;

WHEREAS, Harmful financial effects associated with the complex RFS program are especially severe under current market conditions, where demand for refined products is significantly depressed by the COVID-19 pandemic and is not expected to fully recover in the near future; and

WHEREAS, The COVID-19 pandemic caused an unprecedented year-over-year decline in demand for petroleum and other liquid fuels, leading to temporary, partial, and permanent refinery closures, including the mothballing of the fuels section of the Paulsboro Refinery in New Jersey, as well as other capacity reductions throughout the United States; and

WHEREAS, Production data published by the Energy Information Administration (EIA) in the United States Department of Energy (DOE) has repeatedly shown, for several years, that there is no relationship between RIN prices and the amount of ethanol that is actually blended into the nation's gasoline supply; and

WHEREAS, The EIA recently noted that, in 2020, 800 million fewer RINs were actually generated than what was required to meet the 2020 RFS standard, thereby resulting in a shortage of available RINs, especially when combined with hoarding by unregulated, non-industry speculators; and

WHEREAS, Prior to the COVID-19 pandemic, State and regional refineries supported over 16,500 New Jersey jobs, compensating those employees with more than a billion dollars in total, while adding $4.2 billion to the State's gross domestic product and generating over $12.3 billion in total economic output, including the payment of more than $382 million in State and local taxes. Unfortunately, some of the jobs supported by these refineries were lost due to a partial shutdown attributable to the COVID-19 pandemic; and

WHEREAS, Refining and petrochemical industries contribute approximately $600 billion annually to the nation's economy and employ over three million industrial workers in 33 states, but increasing dependence on imported fuels threatens these industries and potentially affects their fuel supplies; and

WHEREAS, The recent hacking incident affecting the Colonial Pipeline has exposed the vulnerability of the nation's energy supply, highlighting the need to keep our refineries open to fuel the economy; and

WHEREAS, On June 1, 2021, Governor Phil Murphy wrote to the EPA to urge the agency to extend flexibilities to merchant refiners through the renewable volume obligation under the RFS program; now, therefore,

BE IT RESOLVED *by the Senate and General Assembly of the State of New Jersey:*

1. The Legislature of the State of New Jersey respectfully urges the United States Environmental Protection Agency to exercise its waiver authority, pursuant to section 211(o)(7)(A)(i) of the "Clean Air Act," 42 U.S.C. s.7545(o)(7)(A)(i), to reduce nationwide Renewable Fuel Standard volume mandates in order to provide relief to refiners in New Jersey, on the East Coast, and elsewhere.

2. The Legislature also respectfully urges the President of the United States and the United States Environmental Protection Agency to establish reasonable 2021 and 2022 Renewable Fuel Standard volume mandates, which are in line with actual gasoline and diesel demand, and to make the reforming and restructuring of the Renewable Fuel Standard program a national priority, so as to maintain low and stable Renewable Identification Number prices while allowing for the continued blending of renewable fuels, consistent with the original intent of the program.

3. Copies of this resolution, as filed with the Secretary of State, shall be transmitted by the Clerk of the General Assembly or the Secretary of the Senate to the President of the United States, the Administrator of the United States Environmental Protection Agency, the Majority and Minority Leaders of the United States Senate, the Speaker and Minority Leader of the United States House of Representatives, and every member of Congress elected from this State.

4. This joint resolution shall take effect immediately.

Approved November 8, 2021.