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ENVIRONMENTAL QUALITY BOARD

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Environmental Quality Board
Rachel Carson State Office Building
16th Floor
400 Market Street
Harrisburg, PA 17101-2301

RE: Comments on Proposed Rulemaking, Environmental Quality Board [25 PA. Code Chs. 121, 123 and 139], Commercial Fuel Oil Sulfur Limits for Combustion Units [40 Pa.B.5456], Saturday, September 25, 2010.

Members of the Board:

On behalf of its membership comprising thousands of businesses of all sizes and across all industry sectors, the Pennsylvania Chamber of Business and Industry ("Chamber") offers the following comments regarding the proposed rulemaking that would reduce the sulfur content of heating oil sold in Pennsylvania to ultra-low levels by 2012.

The Chamber is concerned about the impact of lower sulfur specifications on the heating oil market. The proposed rulemaking to require a lower sulfur content of 15 parts per million (ppm) by 2012 will be disruptive to the heating oil market, and could lead to price spikes.

It is our understanding that at the federal level, the U.S. Environmental Protection Agency (EPA) adopted a Heavy-Duty Highway Diesel rule in 2001. In accordance with this rule, refineries were required to begin manufacturing a new product, called Ultra Low Sulfur Diesel (ULSD), having a maximum sulfur content of 15 ppm. This product successfully debuted in 2006 and is presently available for highway use. This year, ULSD was expanded to the construction and agricultural sectors in June 2010, and then to locomotive and marine engines in June 2012, under the Nonroad Diesel Engines rule; by June 2014 all exceptions will end, including the use of sulfur credits. The purpose of U.S. EPA's Heavy-Duty Highway Diesel rule is to enable advanced after-treatment devices on engines that reduce tailpipe emissions to be employed. It is important to note that the U.S. EPA's Heavy-Duty Diesel rule and Nonroad Diesel Engines rule does not require any sulfur reduction for petroleum distillates that are used for heating purposes.

Requiring 15 ppm sulfur heating oil at the state level would place residential and commercial customers in the position of competing for supply from the transportation

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diesel market which has been growing steadily around the world. Additionally, a distinct heating oil market would no longer exist, creating a universal fuel across the board for on-road vehicles, off-road equipment and heating oil that could lead to increased prices.

Major fuel quality changes, such as sulfur level reductions, requires billions of dollars in refining investment. It is unrealistic to expect that this level of capital can be accessed on an expedited basis, particularly given the current economic climate. Wide scale production of low sulfur heating oil will take refinery investment; project permitting, engineering and construction to expand supplies of this product to meet existing demand.

As an alternative, we urge PaDEP to consider a transition to 500 ppm sulfur heating oil in 2014. 2014 will accommodate the economic uncertainties, challenges to project financing, and major construction lead time associated with refinery projects that this proposed rule will necessitate. This approach fits well with the federal programs outlined above.

The Chamber appreciates PaDEP's consideration of our comments.

Sincerely,



Gene Barr

Vice President, Government & Public Affairs