TESTIMONY OF
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COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
SUBCOMMITTEE ON CLEAN AIR, CLIMATE CHANGE
& NUCLEAR SAFETY
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Thank you, Mr. Chairman and Members of the Subcommittee, for the invitation to appear here today. I appreciate the opportunity to discuss the vital role cleaner burning gasoline plays in improving America's air quality and to comment on the gasoline provisions in legislation introduced by Senator Daschle and cosponsored by the distinguished Chairman of this Subcommittee.

The Bush Administration supported the fuel provisions of energy legislation that passed the Senate last year. That legislation would have maintained the environmental benefits of the Reformulated Gasoline program (RFG), prevented toxics backsliding, removed the RFG oxygen mandate, imposed a federal phase out of MTBE and included a national Renewable Fuels Standard. The Administration reaffirms its support of legislation, such as S.385, that is consistent with this approach.

Before further discussion of this legislation, I would like to briefly review the history and development of the RFG program, and discuss its air quality benefits. I will also discuss on-going

actions by states to address water contamination resulting from leaks or spills of the gasoline additive MTBE.

History of RFG

When Congress passed the Clean Air Act Amendments of 1990, it established a number of programs to achieve cleaner motor vehicles and cleaner fuels. These programs have been highly successful in protecting public health by reducing harmful emissions from motor vehicles. In the 1990 Amendments after extensive deliberations Congress imposed major reductions from both vehicle and fuel emission control programs. The RFG program was designed to serve several goals. These include improving air quality and extending the gasoline supply through the use of oxygenates.

Congress established the overall requirements of the RFG program by identifying the specific cities in which the fuel would be required, the specific minimum performance standards, and an oxygenate requirement. The oil industry, states, oxygenate producers and other stakeholders were involved in a successful regulatory negotiation that resulted in the development of the RFG regulations in 1991. The first phase of the RFG program introduced cleaner gasoline in January 1995 to help reduce vehicle emissions that cause ozone (smog) and toxic pollution in our cities. Phase 2 of the program began in 2000 and includes more protective emission requirements.

Under the Clean Air Act, the federal RFG program is required in ten metropolitan areas that have the most serious air pollution levels. Although not required to participate, some areas in the Northeast, in Kentucky, Texas and Missouri have elected to join, or "opt-in," to the RFG program as a relatively cost-effective measure to help combat their air pollution problems. Today, roughly 35 percent of this country's gasoline consumption is cleaner-burning reformulated gasoline. The Clean Air

Act Amendments of 1990 also required that RFG contain 2.0 percent minimum oxygen content by weight. Neither the Clean Air Act nor EPA requires the use of any specific oxygenate. Both ethanol and MTBE are used as oxygenates in the RFG program, with fuel providers choosing to use MTBE in about 87 percent of the RFG. Ethanol is used in 100 percent of RFG in Chicago and Milwaukee, which are close to major ethanol production centers.

Benefits of RFG

Unhealthy smog levels are a significant concern in this country, with over 53 million people living in counties with air quality that does not meet the 1-hour ozone standard. Since the RFG program began eight years ago, we estimate that it has resulted in combined annual reductions of VOC and NOx of at least 105,000 tons, and at least 24,000 tons of toxic air pollutants. VOC and NOx are pollutants which in the atmosphere form ozone, commonly called smog. Ambient monitoring data from the first year of the RFG program (1995) indicated that RFG also had a positive impact on reducing toxic emissions. RFG areas showed significant decreases in vehicle-related tailpipe emissions. One of the air toxics controlled by RFG is benzene, a known human carcinogen. The benzene level at air monitors in 1995, in RFG areas, showed the most dramatic declines, with a median reduction of 38 percent from the previous year. The emission reductions that can be attributed to the RFG program are equivalent to taking 16 million cars off the road. About 75 million people are breathing cleaner air because of RFG.

Contamination of Water by MTBE

Although MTBE is a high quality blending component of gasoline, significant concern persists about its contamination of drinking water in many areas of the country. Most MTBE contamination is the result of leaks from fuel storage tanks, but some contamination has resulted from fuel spills. We

now know that MTBE, if leaked or spilled, can contaminate water supplies more readily than other components of gasoline. Public concern has been focused on the issues of taste and odor associated with MTBE contamination. Current data on MTBE in ground and surface waters indicate numerous detections of MTBE at low levels. Data from the U.S. Geological Survey indicates a strong relationship between MTBE use as a fuel additive in an area and finding detections of low levels of MTBE. EPA's Office of Research and Development is continuing to assess the health effects associated with MTBE exposure. While EPA and the states have made significant strides to improve the effectiveness of the Leaking Underground Storage Tank program, MTBE contamination of ground water persists. Most recently, Plainview, New York, Ringwood, New Jersey, Rehoboth Beach, Delaware, Yorktown, New York and Roselawn, Indiana, have experienced MTBE contamination of their water supplies. It appears that the Yorktown incident was the result of a 250 gallon spill that occurred during a gasoline delivery at a filling station. In this case the MTBE threatens to migrate into a reservoir that supplies water to roughly one million users.

As a result of existing MTBE contamination and the potential for future occurrences, seventeen states have taken action to ban the use of MTBE as a gasoline additive in the future. Over the next year, MTBE bans go into effect in the states of California, Connecticut and New York At least six additional states are considering similar bans. At the federal level, EPA published an Advance Notice of Proposed Rulemaking in 2000 requesting comments on a phase down or phase out of MTBE from gasoline under Section 6 of the Toxic Substances Control Act (TSCA). TSCA is the only administrative mechanism available to EPA for limiting or eliminating the use of MTBE. TSCA gives EPA authority to ban, phase out, limit or control the manufacture of any chemical substance deemed to

pose an unreasonable risk to public health or the environment. But the TSCA process is cumbersome and lengthy at best.

EPA's Perspective on National Fuels Legislation

Because actions taken by individual states to control or ban the use of MTBE as a fuel additive are not uniform or coordinated, they can create concerns about fuel distribution. For example, when the MTBE bans take effect in less than 12 months in Connecticut and New York, fuel providers will not be permitted to supply MTBE-containing gasoline in those two states, yet neighboring states in the Northeast will continue to allow MTBE in gasoline. Such a patchwork approach of state requirements will likely complicate the distribution of gasoline in that part of the country. A significant portion of the gasoline supplied to the Northeast comes through pipelines from the Gulf region, but variations in state laws affecting gasoline could potentially lead to supply constraints as refiners and distributors struggle to ship complying fuel to individual states.

The provisions in S.385, however, would help to address this situation in several ways. The bill would (1) maintain the air quality benefits of the clean fuel programs, such as RFG, (2) remove the 2 percent oxygenate requirement under the RFG program, (3) phase out the future use of MTBE across the nation while allowing sufficient leadtime for refiners and MTBE producers to switch production to other gasoline blendstocks, and (4) implement a Renewable Fuels Standard that encourages positive life cycle renewability through the use of domestically produced renewable fuels through a national credit averaging and trading program. It should be noted that in order to enhance the flexibility of these provisions, states may opt out of the MTBE ban and request waivers of the Renewable Fuel Standard.

The Administration supports these provisions and we may offer additional views on the

specifics of S.385. The changes outlined in S.385 are needed now and are supported by what we have learned about cleaner burning fuels since 1990. In 1990, the RFG oxygen requirement was established by Congress to meet multiple goals: improve air quality, enhance energy security, and encourage the use of renewable fuels. We now know that there are better ways to achieve these worthy goals.

We and other federal agencies are committed to working with Congress to explore ways to maintain or enhance environmental benefits of clean fuels programs while exploring ways to increase the flexibility of the fuels distribution infrastructure, improve fungibility, and provide added gasoline market liquidity. We stand ready to work with this Subcommittee as it seeks to enact fuels legislation, such as S.385. The timely enactment of these fuel provisions is essential. The clean fuel programs I have talked about today are critical to our nation's efforts to reduce the harmful effects of air pollution and any legislation must prevent environmental backsliding.

This concludes my prepared statement. I would be pleased to answer any questions that you may have.