



January 27, 2021

The Honorable Peter Buttigieg
Secretary-Designate
U.S. Department of Transportation
1200 New Jersey Avenue, SE
Washington, D.C. 20590

The Honorable Jennifer Granholm
Secretary-Designate
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, D.C. 20585

Michael Regan
Administrator-Designate
U.S. Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, D.C. 20460

The Honorable Gina McCarthy
National Climate Advisor
Executive Office of the President
1650 Pennsylvania Avenue NW,
Washington, DC 20502

Dear Secretary-Designate Buttigieg, Secretary-Designate Granholm, Administrator-Designate Regan, and Ms. McCarthy:

Our trade associations represent America's retail fuel community. More than ninety percent of retail sales of motor fuel in the United States occur at our members' outlets. On behalf of this diverse and forward-thinking industry, we are eager to work with you and your respective teams to help improve the environmental characteristics of transportation energy in the United States. We would like to work with you to collaborate on policies that will spur improvement and change to the transportation sector.

The most expeditious and economical way to achieve environmental advancements in transportation energy technology is through market-oriented, consumer-focused policies that encourage our membership to offer more alternatives. Fuel retailers have demonstrated in recent years that they are prepared to invest in any transportation energy technology that their customers desire. With the right alignment of policy incentives, the private sector is best equipped to facilitate a faster, more widespread, and cost-effective transition to alternatives – including electricity – in the coming years.

As discussed further below, policies that adhere to the following principles will create new jobs, accelerate the deployment of advanced alternative fuel infrastructure and vehicles, benefit consumers through a competitive and robust marketplace and drive massive economic investment and improvements in air quality:

- Science should be the foundation for transportation climate policies.
- Establish performance goals without mandating specific technologies to allow for the benefits of innovation and technology development.
- Develop competitive market incentives to ensure a level playing field and provide long-term consumer benefits.
- Harness existing infrastructure to help commercialize new technology, maximize diverse investments, and achieve near-term and long-term emission reduction goals.
- Set consistent, uniform national policy so that (i) the market has certainty to help it invest, and (ii) state policies do not create inconsistent or counterproductive measures.
- Ensure fair treatment so that all households are not forced to subsidize alternative energy users.

Science should be the foundation for transportation climate policies

Any effort to improve transportation energy's emissions characteristics requires an accurate accounting of the lifecycle carbon intensity associated with particular fuels and technologies. This analysis should include everything from acquisition of natural resources, engine and battery manufacturing, tailpipe emissions, and vehicle end-of-life consequences. It should also be regularly updated so that policy is nimble enough to adjust to efforts to innovate and improve the environmental characteristics of different alternatives. Additionally, every sector of the economy should assume a burden of reducing carbon emissions that is proportionate to its share of nationwide emissions.

Policy should set performance goals without mandating specific technologies to allow for the benefits of innovation and technology development

While it may be tempting to prematurely pick winners and losers from an energy technology standpoint, sound policy must be grounded in science and recognize that the state of technology can change rapidly. Incentives to invest in alternative fuel technologies should be tied to those technologies' lifecycle environmental attributes rather than the underlying technology itself.

No one solution will decarbonize transportation energy. Policies should incentivize multiple technologies. What policymakers think is the best solution today may be surpassed by subsequent ingenuity and innovation. Sound policy should not stifle innovation by mandating specific fuel solutions. Instead, policy should set

performance goals and let the market – guided by consumers – innovate to find the best way to meet those goals.

Retailers' experience is valuable in this respect because they bring a technology-agnostic perspective with an underlying attention and loyalty to consumer preferences and low prices.

Develop competitive market incentives to ensure a level playing field and provide long-term consumer benefits

Fuel retailers today are best positioned to provide alternative sources of transportation energy because they have a keen understanding of consumer preferences and tendencies. Refueling stations are strategically located throughout the country where refueling demand is greatest, competing with one another on price, speed, and quality of service. Those sites include disability accessible restrooms and parking lots, food and beverage options, vehicle service and repair centers, and even showers and other amenities for professional drivers. Consumers demand all of this, regardless of the type of fuel their vehicle consumes.

Existing alternative fuel incentives – such as the Renewable Fuel Standard and biofuel blending and alternative fuel infrastructure tax credits – have allowed retailers to offer less expensive, lower carbon fuels to their customers, while also supporting investments in renewable fuel production. Regardless of how one may feel about ethanol and biodiesel, the *incentives* Congress established have been successful given the amount of petroleum-based fuel that has been displaced by these renewable fuels since 2005.

These benefits can be replicated for new technologies if policymakers adopt the same market-oriented and consumer-focused perspective. Policy mechanisms worth considering include:

- Ensuring credit regimes and/or tax incentives make alternative fuel less expensive for the end user, thereby providing a stable economic case for upstream investment.
- Permitting all EV charging station owners to generate a profit by selling electricity to EV owners without being subject to regulation as a utility. This allowance is essential if fuel retailers are to have any incentive to invest in EV charging technology.
- Adopting uniform retail pricing measurements (*e.g.*, dollars per kilowatt-hour) and requirements for consumer-friendly price disclosures.

Conversely, policies that at first blush appear to be quick and easy solutions tend to have the unintended consequence of undermining retailers' incentives to

invest capital in alternative fuels. This inevitably hinders the growth and expansion of alternative transportation energy. Examples of these counterproductive policies include:

- *Allowing EV charging infrastructure at Interstate rest areas* – Not only would this discourage off-highway fuel retailers from investing in charging infrastructure, but it will signal to prospective EV drivers that they will need to refuel at often desolate, poorly maintained state-run rest areas rather than the off-highway travel centers, convenience and fuel retailers with all of the amenities that drivers have come to expect.
- *Forcing ratepayers to underwrite electric utilities' investment in EV chargers or to subsidize the cost of electricity that charges electric vehicles* – Where this occurs, the utilities are operating in a guaranteed rate of return environment without putting a single dollar at risk. Retailers cannot compete with electric utilities in this environment. While there is good reason for ratepayers underwriting the cost of the grid and other upgrades, there is no public policy rationale why utilities should be given a leg up over private actors who wish to enter the market for chargers that consumers use to power their vehicles. Utilities' ongoing pursuit of this uncompetitive arrangement is the single greatest deterrent to fuel retailers investing in EV charging infrastructure.
- *Prohibiting fuel retailers from selling electricity to individual consumers* – Certain states prohibit the sale of electricity (*i.e.*, fuel) to individual consumers except by price-regulated utilities. This discourages additional deployment of such infrastructure. EV charging station owners must be permitted to generate a profit by selling electricity to EV drivers if they are to have any incentive to invest in the technology.
- *Permitting utilities that own EV charging stations to charge other EV station owners higher rates for power than the internal transfer price they charge their own operations* – A prohibition on such practices is the only way to provide a level playing field and ensure competitive pricing for individual consumers.

Harness existing infrastructure to help commercialize new technology, maximize diverse investments, and achieve near-term and long-term emission reduction goals.

It is exponentially less expensive to leverage existing infrastructure than create entirely new supply chains and infrastructure. To the extent environmental objectives can be achieved by harnessing existing infrastructure – including removing hurdles to bringing alternative fuels to market – customers will more seamlessly gravitate to new types of fuels and vehicles. American companies have spent more

than sixty years building out a refueling infrastructure system that optimizes logistics and maximizes customer benefits. Deployment of new technology that complements this infrastructure will (all else being equal) be less expensive and thus more likely to generate consumer loyalty.

In just the past decade, there has been extraordinary growth in consumption of biofuels such as ethanol and biodiesel, as well as other low carbon fuels such as renewable natural gas, compressed natural gas, renewable diesel, and biobutanol. These are all liquid fuels that are mostly compatible with existing infrastructure that was originally developed for hydrocarbons. With all of these fuels, industry has responded to policy signals by allocating capital toward bringing the fuels to market. Retailers then sell the fuels to consumers for less money than the fuels that were being displaced. This has created enormous environmental benefits in a relatively short period of time. We can build upon current policies to leverage existing infrastructure and achieve meaningful environmental benefits as we work toward reaching our longer-term aspirations.

Set consistent, uniform national policy so that (i) the market has certainty to help it invest and (ii) state policies do not create inconsistent or counterproductive incentives

Federal policy should be designed to lower the cost of alternative fuels to make those sources of transportation energy more competitive with petroleum-based fuels. This is the only way to ensure that consumers will gravitate toward low carbon technologies. Although some state incentive programs adopt this approach, others have vacillated between different approaches in a way that does not allow private market participants to plan long-term investments in alternatives. Such inconsistent policies are ultimately self-defeating, and that approach should be avoided.

Ensure fair treatment so that all households are not forced to subsidize alternative energy users.

Fundamental tenets of fairness dictate that users of transportation energy, including alternative energy sources, pay for that energy and related infrastructure. Unfortunately, this is not occurring today in two ways:

First, when utilities rate-base their EV infrastructure investments, it raises the monthly utility bills for all of a particular rate class, even though the benefits are confined to a small group of users. It is patently unfair and inequitable for policymakers to force most households to subsidize the refueling costs for EV drivers. Vehicle owners should pay the costs of powering their own vehicles in order to create a market system that will keep energy prices down and avoid regressive charges.

Second, it is imperative that highway infrastructure funding comes from all highway users, and not just those that rely on a particular technology. Our country's

infrastructure has been woefully underfunded for decades. Our associations strongly support the Biden Administration's desire to remediate that and bring our roads, bridges, and broader transportation system into the 21st Century. Any user fee to generate increased revenue, however, must capture all vehicles that use the roads.

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In the current policymaking landscape, it is tempting to paint a picture of how we want the world to look in ten, twenty, or thirty years without focusing on the steps needed to get from here to there in a way that establishes a sustainable market that will benefit consumers and the environment. Fuel retailers want to assist in this endeavor and urge you not to allow long-term aspirations to distract you from building on existing policies and infrastructure to achieve tangible, real-world progress.

All of our associations believe that national, consumer-focused, and market-oriented climate policy is achievable. We appreciate President Joe Biden's goal of pursuing pragmatic policies so that we can come out of the COVID-19 pandemic ready to hit the ground running toward a sustainable future for our nation. On behalf of the approximately 125,000 retail fuel locations in the United States, we are eager to work with you to achieve what we fundamentally believe are mutually compatible objectives.

Sincerely,

National Association of Convenience Stores (NACS)
National Association of Truckstop Operators (NATSO)
Society of Independent Gasoline Marketers of America (SIGMA)