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WR-22-30

Call to Action Alert: Senate Reconciliation Bill a Bad Deal for Small Business Energy Marketers

On Wednesday Senate Majority Leader Chuck Schumer (D-NY) and Senator Joe Manchin (D-WV) announced a breakthrough agreement on a reconciliation package containing provisions on energy and climate, health, and taxes. Now called the “Inflation Reduction Act of 2022,” the package took Washington by storm, as lawmakers and outside groups believed talks to be at a complete standstill given Senator Manchin’s recent opposition to the package. The good news is the deal does not include a surtax on pass-through businesses which would have put small family owned and operated businesses out of business. Much of the bill is paid for by raising the corporate minimum tax on big companies to 15 percent, ramping up Internal Revenue Service tax enforcement by adding \$80 billion to its budget over a decade and closing the “carried interest loophole” which allows private-equity firms pay lower tax rates.

The proposal includes significantly more EV provisions than originally supported by Senator Manchin, including consumer subsidies for purchasing EVs (albeit with lowered income thresholds than previously discussed in the old Build Back Better bill). The proposal also includes home energy efficiency rebate programs that favors electric heat pumps rather than being energy neutral and also includes favorable tax credit treatment for sustainable aviation fuel (SAF). EMA opposes favorable tax treatment for SAF because it would disrupt and eventually eliminate the market for on and off-road biodiesel and renewable diesel by diverting limited feedstocks to SAF and lead to higher prices at the pump as well as home heating fuel prices.

Senate Democrats hope to vote on the measure as soon as the week of August 1st. Because it will move under reconciliation procedures, it needs only a simple majority in the Senate. Senator Kyrsten Sinema (D-AZ) – who, like Senator Manchin, had concerns with the previous Build Back Better proposal – is currently reviewing the bill. Next, the Senate Parliamentarian will review the proposal to ensure it aligns with the reconciliation procedures. After what will be a lengthy vote – including lots of politically tricky votes on Republican-led amendments in the Senate, the bill will be sent to the House, which may return to session during the August recess for this vote.

EMA has major concerns with the Inflation Reduction Act of 2022 for the following reasons:

- Increased EV subsidies that are unnecessary and place other forms of energy at a competitive disadvantage;
- Subsidization of electric heating technology over traditional high efficiency heating equipment, and

- Lack of parity between incentives for sustainable aviation fuel and equivalent forms of clean renewable fuels.

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Details of the Deal Struck between Manchin and Schumer:

- **EV Tax Credits:** The package expands the \$7,500 EV tax credit by lifting a cap of 200,000 vehicles per manufacturer. However, it includes a cap on the suggested retail price of eligible vehicles of \$55,000 for new cars and \$80,000 for pickups and SUVs at \$7,500 per EV tax credit. Car buyers would also be eligible to receive \$4,000 for used EVs for the first time. Credits would be capped to an income level of \$150,000 for a single filing taxpayer and \$300,000 for joint filers for new vehicles, and at \$75,000 and \$150,000 for used cars. EVs would need to be built with minerals that are extracted or processed in a country the U.S. has a free trade agreement with and have a battery that includes a large percentage of components that were manufactured or assembled in North America. EMA supports efforts to limit the EV tax credit that would prevent Americans who make over \$100,000 a year or who are buying an EV that costs more than \$40,000 from claiming the credit.
- **Favorable Tax Treatment for Sustainable Aviation Fuel:** The package would extend the \$1 per gallon tax credit for biodiesel and renewable diesel through 2024, extends the alternative fuel credit, the alternative fuel mixing credit, and payments for alternative fuels through 2024. Unfortunately, the package includes preferential treatment for sustainable aviation fuel that would begin at \$1.25 per gallon. EMA opposes favorable tax credit treatment to SAF because it would disrupt and eventually eliminate the market for on and off-road biodiesel and renewable diesel by diverting limited feedstocks to SAF and lead to higher prices at the pump as well as home heating fuel prices.
- **Electric Home Rebates:** \$4.275 billion for qualifying electrification projects. This provision is part of the Biden Administration's efforts to have electricity be the only energy that American households use. These include \$8,000 for a heat pump, \$1,750 for a heat pump water heater, \$4,000 for an electric load service center, and \$2,500 for electric wiring, capped at \$14,000 total. This would narrow or even eliminate the gap between installing a heat pump and all electric system and replacing a boiler or furnace. However, this is sharply limited by income standards. If household income is greater than 150 percent of the area median household income, it does not appear that any credits are available. For households that are between 80 and 150 percent of median household income, credits are limited to 50 percent of the project cost, and for households with less than 80 percent of median income, it can cover 100 percent. EMA opposes this provision because it is not energy neutral.

Additional Provisions:

- \$500 million to expand E10 and B20 plus blend infrastructure such as underground storage tanks and heating oil blending facilities.
- Home Energy performance-based, Whole House Rebates: \$4.3 billion for state energy offices to provide rebates for home energy efficiency retrofits resulting from the implementation of a

home energy efficiency retrofit that is calibrated to historical energy usage for a home consistent with BPI 2400 for purposes of modeled performance home rebates.

- Extends the nonbusiness energy property credit (now called Energy Efficient Home Improvement Credit) through 2032 and increases the percentage of the credit from 10 percent of the cost to 30 percent and lifetime cap from \$600 to \$1,200. Any oil furnace or hot water boiler placed into service before January 1, 2027, that meets or exceeds the 2021 Energy Star efficiency criteria and can use 20 percent or more biodiesel/renewable diesel can qualify for the credit. Following January 1, 2027, only an oil furnace or hot water boiler that achieves a 90 AFUE efficiency rating or more and can use biodiesel/renewable diesel blends of 50 percent or more will qualify for the credit. EMA thinks this is an important first step in recognizing that emissions are a combination of the fuel and the appliance.
- USPS EVs: The measure also includes \$3 billion for the U.S. Post Office to purchase zero-emission vehicles, \$1 billion for clean heavy-duty vehicles like school and transit buses and garbage trucks.
- Methane Fee: The deal includes a fee on excess emission of methane with fees rising to \$1,500 a ton in 2026.

EMA Submits Comments on FDA Proposed Menthol Ban

This week, EMA submitted comments in opposition to the FDA's proposed ruling to ban menthol in cigarettes and characterizing flavors of all kinds in cigars. Not only are these rules not necessary, but by the FDA's own admission, these rules would inflict substantial economic damage on American small businesses.

The proposed rule is likely to lead to an illicit market and to exacerbate inflation. Losing these sales to an illicit market would be a serious blow to businesses who are already devastated by inflation, supply backlogs, labor shortages and the declining real wages of their customers. In addition, the proposed rule would have a cascading effect on EMA member companies who supply fuel to independently owned and operated small business gas stations. Retailers may have no alternative but to raise gas prices and in-store items to compensate for the loss of revenue due to the menthol/cigar characterizing flavor ban. However, given the magnitude of the proposed rule, EMA believes many small retailers would likely be forced out of business due to the loss of operating capital necessary to pay for their next load of fuel. This would leave wholesale energy marketers with a substantial account receivables amount which would likely put both the wholesaler and retailer out of business and lead to higher prices at the gas pump due to consolidation. [CLICK HERE](#) TO READ EMA'S COMMENTS.

[CLICK HERE TO WRITE THE FDA!](#)

It's Time for Congress to Pass Credit Card Swipe Fee Reform!

Yesterday, Senate Majority Whip Dick Durbin (D-IL) and Senator Roger Marshall (R-KS) introduced the bipartisan "The Credit Card Competition Act," (S.4674) which would ensure retailer choice in payment routing by requiring at least two unaffiliated processors on credit cards, the same process that is used

for debit card transactions. Swipe fees remain the second highest operating cost for convenience stores which costs the industry \$138 billion.

There are nearly a dozen of independent networks that are equipped to route transactions, but a handful of dominant networks (VISA and Mastercard), have prevented them from competing in the credit card space limiting the choice of network. By allowing retailers a choice of network to handle a transaction, they can reduce costs and pass those savings onto the consumer. Introducing routing competition could save businesses and consumers upwards of \$11 billion annually according to payments consulting firm CMSPI.

“With the rising rate of inflation and its impact on motor fuel prices, it’s time for Congress to pass credit card swipe fee reform to reduce costs for small business energy marketers,” said EMA President Rob Underwood.

EMA is a member of the Merchants Payments Coalition (MPC), which represents retailers, supermarkets, restaurants, drug stores, convenience stores, gas stations, online merchants, and other businesses focused on reforming the U.S. payments system to make it more transparent and competitive. MPC firmly believes in opening up the payments market and introducing competition, which in turn would lower costs and drive innovation.

[CLICK HERE TO URGE YOUR SENATORS TO COSPONSOR “THE CREDIT CARD COMPETITION ACT!”](#)

With Sadness We Announce the Passing of Davis Cosey

Long term supporter of the petroleum marketer industry, Davis L. Cosey, 70, passed away on Sunday, July 17, 2022. Private Graveside Services will be held in Evergreen Cemetery. In lieu of flowers, the family respectfully requests memorial contributions to FOPAS, Friends of Perry Animal Shelter, P. O. Box 2001, Perry, GA 31069.

A lifelong resident of Perry, Davis graduated from Darlington School in 1970 and earned a bachelor’s degree in Geology with a Minor in Psychology from West Georgia College. In 1979, he joined the family business, Davis Company, became CEO, and successfully guided the company through the next forty-two years. He served on the Wholesale Council for Shell Oil and for Chevron and was a Director of Georgia Oilmen’s Association where he also served as Chairman of the Board. He also served on EMA’s Underground Storage Tank Force and industry representative at ASTM.

Davis was very actively involved in his community, serving on the Board of Directors at Persons Banking Company, and participating in many events with the Chamber of Commerce. His great passion for animals led him to create FOPAS, Friends of Perry Animal Shelter, which saved and continues to save the lives of countless animals since its inception. Davis served on the Board of Fix GA Pets and numerous other organizations with similar missions. He loved watching golf, NASCAR, and going to NASCAR races. He was a long-time supporter of Dixie Davis Cookers and was a member of Perry United Methodist Church.

Davis's technical expertise, tireless commitment to the industry and his always present wit and good nature will be sorely missed.

EPA Enters Consent Decree to Accelerate RFG Determinations for Multiple Metropolitan Areas

The EPA has agreed to enter into a consent decree setting deadlines for determinations whether multiple major U.S. metropolitan areas must switch to reformulated gasoline (RFG). The consent decree establishes deadlines for the EPA to determine whether certain metropolitan areas attained the 2008 National Ambient Air Quality Standards (NAAQS) for ozone pollution. The agency was required to make such determinations by July 2021 but failed to meet the statutory deadline. The consent decree is the result of a lawsuit brought by environmental groups accusing the agency of dragging its feet on determining whether tougher ozone pollution standards are required for certain areas. Under the consent decree, the EPA would be required to issue a final rulemaking by September 15, 2022 to determine whether the following metropolitan areas should be downgraded from “serious” to “severe” nonattainment status:

Chicago -Naperville, Illinois-Indiana-Wisconsin; Dallas-Fort Worth, Texas; Houston-Galveston-Brazoria, Texas; New York-North New Jersey-Long Island, New York-New Jersey-Connecticut; and Denver-Boulder-Greeley-Ft. Collins-Loveland, Colorado failed to attain the 2008 Ozone NAAQS by July 20, 2021, and that Greater Connecticut (Moderate - Nonattainment), Hartford County, Litchfield County, New London County, Tolland County, Windham County.

The consent decree would also require a final rulemaking by December 16, 2022 on whether the western part of Nevada County in California along with Ventura County should be similarly downgraded from “serious” to “severe” nonattainment.

The consent decree must first undergo the standard notice and public comment period for agency actions. Despite the short timeframe involved, the EPA is expected to meet the deadlines for non-attainment determinations since rulemakings to do so were nearly complete when the lawsuit by environmental groups was filed.

NORA Sets Out to Prove Homeowners Can Have a Zero Emissions Home

The National Oilheat Research Alliance (NORA) has been a leader in the transition to low-carbon liquid fuels in the home-heating sector for decades through testing and promoting the use of the advanced biofuel biodiesel combined with traditional heating oil. Now NORA is setting out to prove that homeowners can reduce a home’s carbon emissions to zero using a renewable low-carbon liquid fuel and solar panels. The demonstration has already begun in Port Jefferson, New York, at the home of Thomas Butcher, NORA’s director of research. To read the entire article, [CLICK HERE](#).

NORA would like to extend the Net Zero Carbon Home project to other U.S. States. Interested parties should contact info@noraweb.org.

Weekend Reads:

[1 big thing: They found more truckers](#)

[After massive bus fire, CT pulls electric fleet from service](#)

[California scorns fossil fuel but can't keep the lights on without it](#)

[Midwest grid greenlights huge U.S. transmission investment to unlock renewables](#)

[Los Angeles and local governments across the US and Canada form growing wave to prohibit new gas station construction as SAFE Cities movement gathers momentum](#)

EMA'S Fall Meeting at the NACS Show 2022 Planned for September 30-October 1

EMA will hold its Fall Meeting in conjunction with the NACS Show on September 30-October 1 at the Sahara Las Vegas. You can find all available details, including EMA's Fall Meeting Conference schedule, EMA housing link, NACS Show registration for EMA members and EMA registration link by [CLICKING HERE](#).

Please note that if you have attended an EMA conference in the past, you received invitations on July 7 and July 27 through Cvent system. Responding to this event email is the recommended method to register or decline.

Tennessee Fuel & Convenience Store Association Marketer Mark McBride will be honored as this year's recipient of EMA's Distinguished Service Award Luncheon sponsored by **Federated Insurance, a Partner in EMA's Board of Directors Council**.

Registration is open for the 2022 NACS Show to be held October 1-4 at Las Vegas Convention Center **and is separate from the EMA Meeting Registration**.

Federated Insurance: It's Your Life ***Stability in an Unstable World***

As a business owner in this time of economic uncertainty, the last thing you may be thinking about is life insurance. You hear about it frequently, and people may say you should have it, but is that really true? What benefits can come from having life insurance, and how can it help offer peace of mind for you and your business?

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Please always feel free to contact your Federated regional representative or EMA's National Account Executive Jon Medo at 800.533.0472 for any additional information or risk management questions.
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