



1.0 psi RVP Waiver Implications

Background. Eight midwestern governors petitioned the Environmental Protection Agency (EPA) to remove the federal 1 psi Reid Vapor Pressure (RVP) allowance (commonly referred to as the “1-pound waiver”) in their states. The 1-pound waiver facilitates the blending of gasoline with 10% ethanol.¹ If implemented, gasoline currently sold in much of the country during summer months will no longer be offered for sale in these states. Instead, a new low-RVP regional boutique fuel would need to be produced and sold. AFPM commissioned an analysis by Baker & O’Brien that found this Midwestern boutique fuel could cost more to supply the market, require investments in the fuel supply chain infrastructure, and increase supply disruption risks.²

- **Eliminating the 1-pound waiver could cost the Midwest \$500 - \$800 million in the first summer alone.²**
 - The cost to produce, store, and distribute a unique Midwestern fuel that must be segregated from other fuel is expected to **range from 8 to 12 cents per gallon (cpg)** in the near term.²
 - The estimated total incremental cost to supply a new boutique gasoline in the affected states **ranges from \$500 - \$800 million**, and a supply disruption would push **costs to \$1.1 billion.**²
- **Eliminating the 1-pound waiver is likely reduce overall fuel production in the affected states.²**
 - Fewer refineries in the region will be capable of supplying Midwestern summertime gasoline. Refinery and supply system constraints are estimated to result in approximately up to **125,000 fewer barrels per day of in-region gasoline production** and up to **33,000 fewer barrels per day of in-region diesel fuel production** during the summer – equivalent to an outage at a large Midwest refinery.²
 - **Capital improvement costs are estimated at \$50 – \$75 million per facility where required.**²
- **Eliminating the 1-pound waiver puts the Midwest at greater risk of supply shortages.²**
 - Lower fuel production in the region will be made up by fuel **supplied from Gulf Coast refineries**, which is transported to the Midwest by pipeline.² Adding two new low-RVP grades (regular and premium) limits the capability of the fuel supply system to respond to a supply disruption.
 - In the event of a disruption (e.g., hurricane, refinery outage), the affected states could experience **more frequent and longer supply disruptions and a higher risk of price spikes and shortages.**²
 - Recent history shows that price differences between RFG (an even lower-RVP blend) and conventional Midwest gasoline can reach 60 cpg in the event of a disruption.²
- **Implementation requires lead time.**
 - PADD 2’s refining complex evolved to serve conventional gasoline markets under the 1 psi ethanol waiver.
 - As a result, refiners and pipelines cannot readily produce and segregate high and low RVP gasolines. To do so would require investments that **typically take two years** to complete.
 - Typically, refiners transition to summer grade fuel in February, and pipelines in March to meet the deadline for supplying summer grade fuel at the pump.

¹ Wholesale conventional summer gasoline may not exceed 9.0 psi RVP per CAA 211(h). The addition of 10% ethanol generally increases RVP by 1 psi, (i.e., to 10 psi). CAA 211(h)(4) provides a 1.0 psi RVP allowance for 10% ethanol blends.

² Baker & O’Brien, Inc. Midwest States Gasoline RVP – 1 psi Waiver Study.