

**Assessment: Arizona Department of Weights and Measures
Arizona Administrative Code (AAC) Title 20, Article 7, R20-2-718(A)(3)
Biofuels Quality Assurance/Quality Control Plan (QA/QC)
July 15, 2015**

For Arizona Petroleum Marketers Association

Background: The EPA implemented the Renewable Fuel Standard (RFS) in 2007. The RFS requires the use of renewable fuels by Obligated Parties (Refiners, Importers, Reformulators) through the purchase and use of wet gallons and/or the purchase of compliance credits known as Renewable Fuel Identification Numbers (RINs). RINs are most typically associated with, and made available by, petroleum marketers that are blending ethanol and/or biodiesel. The purpose of the RIN is to incentivize increased volumes of renewable fuel blending. Mandated levels for biodiesel are expected to increase while mandated levels for ethanol are expected to be flat or be temporarily reduced (2014/2015).

As such, RINAlliance was developed for petroleum marketers, who wish to blend, and currently serves almost 200 blenders nationwide. RINAlliance completes all EPA compliance reporting and auditing via proprietary software which acts as the System of Record for all users. Many blenders use the system as an inventory control system as well. RINAlliance also provides RIN marketing strategies for 95% of all clients with current RIN sales exceeding \$500,000,000.00. The RIN has proven to be an extremely strong incentive and is widely used by marketers as a profit generator and as a competitive tool.

Arizona law creates requirements for renewable fuel producers, importers, suppliers, and blenders (In rule, "Producer" is defined as a "refiner, blender, or other person that produces a motor fuel, including Arizona CBG or AZR-BOB"). How and when the term "Producer" is used is somewhat unclear in the rules. The result of these requirements culminates into a Quality Assurance/Quality Control Plan (QA/QC) that must be approved by the Arizona Department of Weights and Measures (AZDWM).

The QA/QC plan requirements include AZDWM registration and plan approval prior to producing, importing, or blending renewable fuels in Arizona. The QA/QC rules are relatively new and those that created the rules are no longer employed by the AZDWM. Confusion over who must comply with these rules currently exists. To our knowledge, Arizona is the only State that requires a QA/QC plan for blenders downstream of neat petro and neat biofuel suppliers. The rules will likely create an economic disadvantage for blenders in Arizona.

The major costs of compliance for those required to implement a QA/QC are 1) batch analytical sampling and 2) labor to implement the program. Requirements for tracking, sampling, and labeling (bulk and retail) renewable fuels are at a relatively high level that will likely dissuade most marketers from blending. Those that can blend, under these rules will have a competitive advantage due to the value of the EPA RIN credit (\$0.75/gal) and perhaps the IRS \$1.00 biodiesel blenders credit.

During our rule review process, RINAlliance staff created a 44 page QA/QC Plan draft for ADWM review. The draft closely follows methodologies of EPA's Ultra Low Sulfur Diesel (ULSD) QAP protocols as suggested under Federal Code 40 CFR. The plan focuses on the designation and tracking of fuel quality via certificates of analysis (Biodiesel ASTM 6751) and pipeline terminal documentation of fuel quality (diesel ASTM D975). Some pre and post fuel quality sampling was included in our plan but limited to annual events and/or significant change-over of percent content blends. Even at this level, the QA/QC rules go above and beyond any other state or federal requirement and will add costs to doing business. This plan has only been previewed by the department with feedback implying that it is unacceptable.

At this time, RINAlliance has informed the department that these rules are onerous and put Arizona marketers at an economic disadvantage. RINAlliance believes that State law should mirror federal requirements and no more. To do otherwise puts marketers, especially those competing with adjacent states, at a competitive disadvantage which will impede any growth of renewable fuel usage. Furthermore, AZDWM should recognize recent EPA Quality Assurance Plan (QAP) final rules for renewable fuel production and strongly consider the fuel quality implications of those rules on downstream fuel quality requirements.

Absent of a complete rule change to AAZ Title 20, Article 7, which removes these requirements, RINAlliance suggests that AZDWM provide a rule interpretation which better defines which parties are regulated under the rules.

At this time, AZDWM is requesting a meeting with industry to discuss the implications and impacts that the current rule will have on the use of renewable fuels in Arizona:

Per AZDWM

The Department will be holding a workshop to discuss the implementation of the biofuels rules and gain feedback from interested stakeholders to evaluate if updates to the rules may be warranted. The date for the workshop is July 31, 2014, from 9:00 a.m. to 12:00 p.m. An official notice will be sent out shortly.

The Department is gathering a list of stakeholders that are interested in this topic for future notifications. **Please email me at [Biofuels Stakeholder List](#) if you would like to continue to receive notifications regarding biofuels.**

Michelle Wilson

Director, Transportation Fuels and Air Quality Programs
Arizona Department of Weights and Measures
4425 W. Olive Ave., Ste. 134, Glendale, AZ 85302-3844
602-771-4933

Respectfully submitted to the Arizona Petroleum Marketers Association,

Jeff Hove, VP RINAlliance, VP PMClowa