

## **Governor's Council on Biofuels – Infrastructure Subcommittee**

### **October 13, 2020 Meeting**

1:00 p.m. to 2:00 p.m.  
Webex Video Conference

### **Agenda**

1:00 p.m.  
**Welcome and introductions**  
Bob Patton, Energy and Environment Supervisor

1:10 p.m.  
**Review of previous meetings' discussion**  
Bob Patton

1:30 p.m.  
**Discussion**  
All

2:00 p.m.  
**Adjourn**

## I. Assuming no change in infrastructure regulations:

### A. Infrastructure needs and estimated costs for each of the higher blends

- Question about feasibility of replacing individual tanks on multi-tank site, vs. need to replace all simultaneously
- Possibility of retailers putting E15 into E85/compatible tanks, and related question about availability of blended E15
- State fire code also a factor in compatibility (UL listing)
- Gilbarco upgrade kit for E25 and how that factors in
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### B. Realistic timeframes for infrastructure to be ready

- Question: how to address short-term (E15 to E25?) vs. long-term (above E25?)
- How to “chip away at the mountain”
- *Public infrastructure component*

#### a) Timeline for ethanol

- *Identify 15% of currently compatible tanks (not already storing and dispensing E15)*
  - o *About 304 selling E15 currently, about 10% selling E15*
- *All E15 equip is compatible up to E25*
  - o *To make jump above E25, piping, hanging hardware, etc. is required to be updated*
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#### b) Timeline for biodiesel

- Equipment above B20 is compatible up to B100
- We should find out when equipment will become obsolete/needs to be replaced anyway
  - o Keeping retailers’ endgame in mind

### C. What costs can be borne by various segments of the service station industry

- Question about where to find retailer fuel volume data as way to assess scale (in order to determine segments of the service station industry and their ability to pay)
- - need to balance competitive advantage and infrastructure update burden
- If age is not determination for replacement, could material be? Risk of failure?
  - A. Risk might already be covered by noncompatibility, maybe financial ability or geographic location could be determination or phasing in/targeting
- Crafting criteria based on need

- Given concern with greater MN sites, competitive disadvantages are less in metro area. Phase in might look different in metro areas.
- Availability of contractors in metro area might allow projects to be completed quicker

#### D. Which industry segments need financial assistance

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#### E. Sources of funding for financial assistance

- Question of per-unit tax (e.g., per unit of high-carbon fuel) to fund infrastructure
- Question of federal funding program and leveraging that, such as done with BIP
- Idea of low-interest loan program
- Low interest government loan, focus on affordability and compatibility rather than cost
- Rural finance authority as an option for low interest financing, farm credit lenders,
- Combination of grants and loans
- Ethanol interest groups could also play a role (as they did in BIP) to provide nonpublic financing
- TIF financing
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## II. Achievable and prudent changes to infrastructure regulations

- Implication of possible EPA regulatory changes regarding infrastructure compatibility for E15
- Discussion about CA's approach to compatibility and legacy equipment
- When we evaluate for compatibility, opportunity for State to do benchmarking. To speed implementation of higher blends, streamlining certification of equipment. Example: database of equipment deemed compatible (not lowering standards).
  - A. Public version of UL listing
  - B. data trail to review regarding demonstrating compatibility statement from manufacturer
  - C. There is already a similar process done by the State. List is constantly moving and growing due to many variables
  - D. We must communicate broadly across the State about what is available
  - E. There is a segment of equipment that we don't know whether it is compatible
    - Regulatory-wise need to deem as not compatible
  - F. Most facilities know whether they are compatible or not
- Requirement that any new equipment has to be compatible up to E25
  - A. Should be replaced with highest UL certification instead of up to E25
  - B. group must decide on this technical language
  - C. E15 is the less expensive opportunity for retailers
    - We need to give retailers a timeline so they can make business decision
- Marketplace for vehicles is changing, need to set mile posts

III. How to structure biofuel content requirements (i.e. ethanol & biodiesel mandates) policy to move to higher blends while equitably treating and preventing undue harm to the service station sector, and in particular, smaller operators.

- Relationship between timelines for infrastructure readiness for higher blends (“chipping away at the mountain” and mandates)
- Possibility of giving smaller retailers more time to comply with content mandates
- Related question of creating a situation of competitive disadvantage (those able to offer higher blends and those not able to)
- *Metro phasing in plan*
  - A. *Has been used in the past, there is a precedent*
  - B. *E10 required in metro area before statewide*
- *As opposed to looking at geography, phase in based on volume at retail location*
  - A. *First part: determine effective date for statewide application, give smaller volume retailers longer to phase it in (4-5 years?) 500,000 gallons or less*
- *When MN mandated E10, how did MPCA determine infrastructure was safe?*
  - A. *Vast majority was compliant? (needs to be fact checked)*
- *That question ^ and response can be paired with Amanda’s comment regarding timeline*
- *What are reasonable timelines to set those benchmarks?*
  - A. *MPCA estimates (from discussions with main manufacturer and contractors): 10 year timeframe*
    - *Geographical phasing could shorten timeframe by 1-2 years*
    - *More concentrated efforts, more installations than normal in one year*
      - a) *Rather than random jobs all over state*
    - *Conversation to have with contractors\*\**
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  - B. *Would a timeframe motivate the industry to act or to sit back and wait?*
    - *Number of facilities are shrinking, people having to make tough decisions. These decisions will take care of some of those numbers*
    - *If we develop an affordable plan, might make retailers act sooner and change their opinions. We only have 3 Gilbarco installers in MN, installer availability is an issue/limitation. May take 8-10 years for installations to be complete and to get equipment. If retailers see longevity and affordability, may start sooner than later*
      - a) *Incentive for sooner attempt at upgrades, would push business decisions*
  - C. *Folks getting ready to retire, prospective buyers that don’t know about upcoming upgrade requirements puts them in a tough situation*
    - *Putting benchmarks in writing is valuable so that everyone is aware of the expectation*
  - D. *New tank regulations may push retailers to close shop*
- *We need to give firm guidance to help retailers move with state and market. 8-10 of guidance is not too long because sending the right signal will make progress happen*

- *Earlier benchmark (4-5 years) for those that could come into compliance sooner, coupled with financial assistance, could speed timeline along. Policy is meant to send signal to marketplace to respond to. To accelerate timeline, need to send long-term signal to marketplace. Phase-in approach with earlier benchmarks to accelerate the timeline.*
- *If there is the right incentive, will give biofuels more bang for buck – this is right time to do it (if done the right way).*
- *2004-2006 fed ethanol tax credit, incentivize retailers as well. Make it so they cannot say no. More marketing and affordability, more green lights from retailers*
- *MN infra avg age 24-25, how does this compare to national averages?*
  - A. *MN is a tad bit older, 1-2 year timeframe. Reason is EPA upgrade requirement 1988. Retailers are at different levels of infrastructure age.*
  - B. *How did federal govt handle this?*
  - C. *EPA released reg in 1988, gave 10 years to be upgraded by 1998. If that did not happen, there were fines. In terms of incentives: programs, grants, motivation*
- *Weights and Measures needs to upgrade lab equip to test for ethanol blends above 12%*
- *Contractors cannot find enough help to match an increase in demand for installation. Must be certified in MN to do these installations.*
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