VIRGINIA PETROLEUM & CONVENIENCE MARKETERS ASSOCIATION
VPCMA
update
MICHAEL J. O'CONNOR, PRESIDENT

September 1, 2022

California Mandate Banning New Gasoline Vehicles by 2035 Will Impact Virginia

In 2001 during the period of one-party rule in Virginia, the General Assembly passed and then Governor Northam signed into law a bill that subjected Virginia drivers to California emissions standards for passenger vehicles. The law now mandates emissions standards are stricter than those imposed by the federal government, as well as prescribes terms and quotas for electric vehicle sales. Last week, the California Air Resources Board voted unanimously to ban sales of new gasoline powered vehicles by 2035. Consequently, Virginia will default to this California policy unless the state Air Control Board or General Assembly changes the status quo. Governor Youngkin has stated that he is already at work “to prevent this ridiculous edict being forced on Virginians. California’s out of touch laws have no place in our Commonwealth”.

The past has demonstrated that government mandated prohibition does not work. However, the future of gasoline powered vehicles in our state will likely be decided at the polls next November. At that time all 100 delegates and 40 senators will stand for election, many in totally new districts. Democrats currently hold a one seat majority in the Senate; Republicans hold a two-seat majority in the House of Delegates.

Regulatory Report: USDA Announces Availability of $100 Million in New Higher Blend Infrastructure Grants

From EMA

The United States Department of Agriculture (USDA) has announced the availability of approximately $100 million in competitive grants to transportation fueling facilities for the installation and upgrade of equipment compatible higher blend renewable fuels. The goal of HBIIP is to increase the market availability of higher blend biofuels.

Under the HBIIP, funds will be awarded to assist transportation fueling and fuel distribution facilities to convert their current facilities through upgrade of existing or installation of new equipment required to ensure compatibility with ethanol blends over 10% and biodiesel blends over 5%. HBIIP also applies to heating oil distribution facilities with or seeking higher blend infrastructure.

Grant Distribution
The good news for energy marketers is that $75 million of the $100 million in available funding is earmarked for retail facilities. In addition, 40% of the funding earmarked for retail facilities will be made exclusively to small business energy marketers with 10 or fewer stations. The remaining $25 million will be made available to midstream transportation fuel storage and distribution facilities.

Cost Sharing
The program will share 50% of total project costs up to $2.5 million per applicant for existing retail stations. There is a matching fund requirement for applicants of at least $1 for every $1 in grant funds provided by the USDA. Matching funds plus grant funds must equal total eligible project cost.

Eligible Applicants
The funds are available for gasoline service stations, convenience stores, hypermarket fueling stations; fleet facilities, including transportation, freight, rail and marine.

Eligible Project Costs
Eligible Project Costs are only those costs incurred after the date that a complete application is submitted and that are directly related to the use and purposes of the HBIIP. The grants must be used to: upgrade or install or otherwise retrofit fueling equipment including dispensers and UST system components; tanks, pumps, ancillary equipment; lines, gaskets, and sealants, and other infrastructure; fees for construction permits and licenses; and professional service fees for qualified consultants, contractors, installers, and other third-party services.

Ineligible Project Costs
Ineligible project costs for HBIIP grants include, but are not limited to: incurred expense, equipment purchase, or paid service prior to the date a complete application is submitted; renewable diesel projects; used equipment and vehicles; construction or equipment costs that would be incurred regardless of the installation of higher blend fuel infrastructure; purchase of real property or land; Lease payments, funding of political or lobbying activities; to pay off any Federal direct or guaranteed loan or any other form of Federal debt.

Anticipated Award Date:
The Department of Agriculture anticipates making awards 90 days after the application deadline.

Performance Period:
The grant period is not to exceed 36-months, unless otherwise specified in the Grant Agreement or agreed to by the Agency.

Application Information
Only one HBIIP application may be submitted per HBIIP applicant. An application may request HBIIP assistance for more than one location that is owned and/or legally controlled by the applicant entity. An HBIIP applicant may receive only one award under this grant distribution. New construction of fueling stations, locations or facilities constructed during the grant period are restricted from receiving HBIIP grant funds for underground tanks.

Application Submission
Instructions and additional resources including an application guide are available at the HBIIP website.

Application Due Date
Applications due no later than 4:30 PM Eastern time, November 21, 2022.

Got Questions?
Contact Mark S. Morgan, Regulatory Counsel at mmorgan@emamerica.org.

Latest Version of DEQ Petroleum Program
2022 UCR Training

The updated Usual and Customary Rates will become effective October 1, 2022. The Department of Environmental Quality (DEQ) is hosting a live training webinar on **September 22** at **10:00 AM**.

The following topics will be discussed:
- Transitioning sites to the new UCR Schedule
- Bidding rules and requirements
- Submitting claims
- VPSTF status
- Delayed claims payment

Webinar Registration
To sign up for the webinar, **register through GoTo Webinar**. After registering, you will receive a confirmation email containing information about joining the webinar.

Please contact **Chanin Consoer** with questions.

Summary of Key Provisions in Inflation Reduction Act (IRA)
From NACS

CLIMATE & ENERGY RELATED PROVISIONS

- **Clean Vehicle Tax Credits (Sections 13401, 13402 & 13403)–** The bill includes a tax credit of up to $7500 for new electric vehicles (EVs) through 2032. The credit only applies to vehicles assembled in North America (US, Canada and Mexico) and the battery components cannot come from an "entity of concern" such as China by 2024. Plus, none of the critical minerals in the battery can come from China by 2025. These restrictions mean that very few vehicles on the market today would qualify for the credits by those dates. The credit only applies to cars sold for less than $55,000 or vans, SUVs, or pick-up trucks sold for less than $80,000. Vehicle purchasers can only qualify for the tax credit if they have a modified adjusted gross income of less than $150,000 ($300,000 for married couples filing jointly). Head of household filers making less than $225,000 can also qualify for the credits. The bill also includes a $4000 tax credit for the purchase of used EVs through 2032 but the income cutoffs for buyers to qualify are lower - $75,000 for an individual or $150,000 for married couples filing jointly. In addition, the bill includes a new tax credit equal to 15% - 30% for qualified commercial electric vehicles acquired after 2022 through 2032.

- **Alternative Fuel Refueling Property Tax Credit (Section 13404)** – The bill extends the credit for alternative fuel vehicle refueling property placed in service after 2022 through 2032 and expands the credit for zero-emissions charging and refueling infrastructure with a base credit of 6% for expenses up to $100,000. (The original version included an additional 4%). It also provides an alternative bonus credit for taxpayers that meet certain prevailing-wage requirements during construction – 30% for expenses up to $100,000. It limits the credit to property located in a qualifying census tract (i.e., low-income communities under the New Markets Tax Credit or non-urban areas). It also expands the list of eligible property to include electric charging stations for electric two- and three- wheel vehicles and clarifies the eligibility of bidirectional charging equipment.

- **Clean Fuels (Sections 13201, 13202, & 12203, 13704) –** The bill extends $1 per gallon *biodiesel and renewable diesel blenders' tax credit* to December 31, 2024. It was to expire at the end of this year. It also extends the $0.10 per gallon *small agri-biodiesel producer credit* and the $0.50 per gallon *excise tax credit for alternative fuel and alternative fuel mixtures* through 2024. Following 2024, the credit switches to a tech-neutral version. The bill also repeals liquid hydrogen as an alternative fuel under the alternative fuel and alternative fuel mixture credit. In addition, the bill extends the *second-generation biofuel income tax credit* through 2024. The bill also creates a $1.25 per gallon *sustainable aviation fuel tax credit*. The credit is a refundable blenders credit for each gallon of sustainable aviation fuel sold as part of a qualified mixture starting in 2023. The credit would operate on a sliding scale up to $1.75, providing an increase not to exceed $0.50, depending on the certified lifecycle greenhouse gas emissions reduction above 50%. The tax credit applies to fuel sold or used in 2023 through 2024. Following this date, the credit switches to a tech-neutral version. The credit would expire at the end of 2027.

- **Other Climate and Energy Incentives** – The bill includes numerous incentives and tax credits to promote energy efficiency and clean alternative energy for residential and commercial properties and manufacturing facilities. In addition, it includes incentives for clean energy, such as nuclear, clean hydrogen and solar energy and other forms of renewable energy. The bill also includes incentives for the manufacture of clean energy equipment.

FOSSIL FUEL RELATED PROVISIONS

- **Royalty Reform –** The bill increases the royalty rate for all new onshore and offshore fossil fuel leases from 12.5% to a minimum of 16.6%. The legislation also eliminates noncompetitive leasing and establishes a minimum bid on federal parcels.

- **Fossil Fuel Leasing –** The bill requires the Department of Interior to conduct oil and gas lease sales each year for a decade as a prerequisite to installing any new solar or wind energy.

Don't Forget to Register for the 74th VPCMA Annual Meeting
September 25-27, The Greenbrier

It's not too late to make plans to attend the 74th Annual Meeting being held Sunday, September 25 through Tuesday, September 27th. We have put together a great program of social and educational events that you can access below. Although our room block has expired, act quickly to still reserve your room and get our rate on a space available basis.

For a full Annual Meeting brochure, click here.
To register with VPCMA, click here.

For hotel reservations, (starting at $219,) click here.