

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based only on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 922

SPONSOR: Senator Hargrett

SUBJECT: Sale of Low-Sulfur Gasoline

DATE: April 12, 2000 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Akhavein</u>	<u>Poole</u>	<u>AG</u>	<u>Favorable/CS</u>
2.	_____	_____	<u>NR</u>	_____
3.	_____	_____	_____	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

This bill provides for the sale and regulation of low sulfur gasoline throughout the state of Florida . The potential impact of low sulfur gasoline can be expressed in terms of vehicles removed from the road. For example, the Environmental Protection Agency estimates that the use of 30 parts per million (ppm) sulfur gasoline would equate to the removal of over 500,000 cars from the road in both Miami and Tampa and over 60,000 in Tallahassee. Nationwide, it would equate to over 53,000,000 cars taken off the road.

Effective January 1, 2004, the sulfur content of gasoline designated for use in Florida may not exceed an annual average of 30 ppm by weight and a per-gallon cap of 150 ppm by weight. Also on the same date, the production, storage, transport, supply, offer to supply, transfer, sale, offer for sale or dispense of gasoline that does not meet these sulfur content standards is prohibited. These provisions are to go into effect immediately upon the United States Environmental Protection Agency's approval to amend Florida's State Implementation Plan.

The bill also authorizes rulemaking by the Department of Agriculture and Consumer Services and requires reports to the Legislature by the Department of Agriculture and Consumer Services and the Department of Environmental Protection.

This bill creates sections 526.40, 526.41, and 526.42, Florida Statutes.

II. Present Situation:

Sulfur is a natural component of crude oil from which gasoline is made. Most gasoline sold in the United States has fairly high sulfur levels. The national average is 340 parts per million (ppm). The Hillsborough County Environmental Protection Commission has researched low sulfur gasoline and has determined that it is a proven vehicle emission reduction strategy that is currently being used in California, Georgia, Japan and parts of Europe. By reducing the amount of sulfur in gasoline, a vehicle's pollution control components are allowed to operate more efficiently, and

correspondingly that vehicle produces less pollution. The implementation of a statewide low sulfur gasoline program would provide significant benefits in the efforts to reduce the amount of nitrous oxide emission, which is the pollutant that contributes most to the state's ozone problem.

Cleaner gasoline would immediately reduce emissions from the existing fleet of motor vehicles. In Hillsborough County, which has had and may still have problems meeting ozone ambient air quality standards, the introduction of 30 ppm sulfur gasoline would decrease the nitrous oxide emissions from the mobile fleet approximately 11.7 percent. Low sulfur gasoline can be implemented in Florida at an estimated cost of two to five cents per gallon of gasoline. Because the added expense is incurred at the pump, the cost of ozone control is evenly distributed.

On December 21, 1999, the United States Environmental Protection Agency proposed lower standards for sulfur in gasoline. These new standards would begin to take effect in 2004, and in 2005, gasoline produced for sale in most of the United States, including Florida, must meet a 30 ppm average with a 90 ppm cap. By 2007, all gasoline produced for sale in the United States must meet the 30 ppm average with an 80 ppm cap.

III. Effect of Proposed Changes:

Section 1. Creates s. 526.40, F.S., to provide legislative findings and intent. The Legislature has determined that a comprehensive approach is needed to protect the air quality and public health. Such approach may include regulation and permitting of major stationary sources of air pollution, regulation of mobile sources, including motor vehicle inspection programs, and low sulfur fuel requirements.

Creates s. 526.41, F.S., to provide definitions for "gasoline," "importer," "producer," "retailer," and "ultimate consumer."

Creates s. 526.42, F.S., to establish requirements for the sale of low sulfur gasoline pertaining to sulfur content, handling, and sale of gasoline. Beginning January 1, 2004:

- The sulfur content of all gasoline used in this state may not exceed an annual average of 30 ppm by weight and a per-gallon cap of 150 ppm by weight. For each calendar year, the sulfur content must be averaged on a volume-weighted basis.
- A person may not produce, store, transport, supply, offer to supply, transfer or otherwise handle, sell, offer for sale, or dispense gasoline that does not meet the limits specified in this section, unless the gasoline is segregated and clearly documented as not for sale or supply to an ultimate consumer in this state.

These provisions are to go into effect immediately upon the United States Environmental Protection Agency's approval to amend Florida's State Implementation Plan.

Authorizes the Department of Agriculture and Consumer Services (department) to adopt rules to provide appropriate testing of gasoline products and to require appropriate documentation on the transport, storage, and sale of gasoline products. Requires the department to prepare and adopt the rules by January 1, 2003, and to submit them to the Legislature for review during the 2003

Regular Session. Requires the department to submit a report to the Legislature by December 1, 2002, describing the progress in administering this section and providing recommendations.

Requires the Department of Environmental Protection, after consultation with the United States Environmental Protection Agency, to submit a report to the Legislature by December 1, 2002, on the potential benefits to urban and regional air quality of establishing maximum and average allowable sulfur concentrations for gasoline which are lower than the concentration limitations specified in this section.

Section 2. Provides that this act shall take effect July 1, 2000.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

Gasoline refineries supplying Florida will incur substantial costs due to the higher price of low sulfur crude oil and the expense of converting/ installing new desulfurization equipment. California refiners have invested an estimated \$5.8 billion to upgrade facilities to meet California's 30 ppm sulfur regulations. In the process of implementing lower levels of sulfur in refined products, ten California refineries closed from 1985 to 1995, resulting in a 20 percent reduction in capacity.¹ These costs will be passed on to the public in the form of higher prices for gasoline. It is estimated that low sulfur gasoline can be implemented in Florida at a cost of two to five cents per gallon of gasoline.

¹Sulfur 2000, Hart Energy Group, 1999.

The most substantial, but unquantifiable, benefit from this bill would be reduced health care costs due to cleaner air. The smog caused by sulfur in gasoline causes numerous respiratory problems which sometimes require hospitalization.

C. Government Sector Impact:

The Department of Agriculture and Consumer Services currently collects samples of imported gasoline at petroleum terminals and analyzes the sulfur levels, among other attributes. Therefore, the department anticipates no need for additional personnel or operational (recurring) costs.

The bill's mandated sulfur levels are below the detection limits of the department's current sulfur x-ray testing instruments. Further, the cited sulfur testing methodology, ASTM D 2622-98, requires an x-ray spectrometer with a lower detection limit. Three x-ray spectrometers at a combined approximate cost of \$400,000 would be required to properly equip the three department petroleum testing laboratories to conduct sufficiently accurate and precise analyses. Purchase of the equipment should be made in fiscal year 2002-03.

The Department of Environmental Protection has indicated that preparation of the required report to the Legislature by December 1, 2002, will have a minimal impact on the department.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.