



STATEMENT OF MR. STUART E. WEIDIE
Ways and Means Subcommittee on Tax Policy
Hearing entitled
“Post Tax Reform Evaluation of Recently Expired Tax Provisions”
Wednesday, March 14, 2018

On behalf of Blossman Gas and the National Propane Gas Association (NPGA), I commend the Ways and Means Tax Policy Subcommittee for holding this hearing, *Post Tax Reform Evaluation of Recently Expired Tax Provisions*. Additionally, Mr. Chairman, and Mr. Ranking Member, thank you for providing me the opportunity to testify today. I look forward to briefly discussing the following three expired tax provisions that have greatly helped propane gain acceptance as an alternative vehicle transportation fuel option: the alternative fuel tax credit, the alternative fuel infrastructure credit; and the alternative fuel mixture credit.

NPGA is the national voice for the odorized propane gas industry. NPGA’s nearly 3,000 member companies—the majority of which are small, family-owned businesses—fuel homes, businesses, and vehicles in all 50 states and territories. Globally, there are more than 27 million vehicles running on propane, or AutoGas, as propane is known when used as a transportation fuel. Unfortunately, in the United States, there are only 220,000 vehicles running on propane.

The United States is the largest producer of propane in the world. Eighty percent of propane comes from natural gas production. Propane and other Natural Gas Liquids (NGLs) are butane, isobutene and propylene produced as part of natural gas processing. Production of propane is expected to rise more than 40% in the next 10 years so we have an abundant supply. In 2017, more than 14 billion gallons of LPG or propane was exported out of the United States to Asia, South America and Europe. This volume is enough to convert more than 5.5 million government and private fleet vehicles to run on propane Autogas in the United States. If these vehicles were running on propane, it would result in an 11.4 million ton reduction in CO₂ emissions.

Since the early 1970s, our dependence on foreign oil has been an ongoing dilemma. Countries hostile to the United States are significant contributors to global oil supply and our desire to wean ourselves off these supplies has been a strategic objective. In addition, our desire to reduce environmentally damaging and harmful emissions created a bi-partisan consensus to encourage the use of alternative fuels. The Department of Energy’s Clean Cities programs have been created around the country to foster the use of transportation fuels besides gasoline and diesel and are producing solid results connecting government and private fleets with alternative fuel providers. Fuel cost savings coupled with the environmental benefits have been the primary motivators for change or moving away from the status quo.

Since 2005, our country has come a long way toward energy independence, and we now export more propane than we consume domestically. Nevertheless, we can be more “Energy Secure” if we approach the transportation sector with an “all of the above approach” which includes using the vast quantities of propane and natural gas produced nowadays in the United States.

Congress reacted assertively to these concerns and began a long history of bipartisan support for encouraging the use of alternative fuels such as propane. Most importantly, the Energy Policy Act of 2005 encouraged the use of alternative fuels such as propane AutoGas and natural gas. Important incentives were part of the legislation, including fuel tax credits for the use of alternative fuels. These incentives helped stimulate a new marketplace for alternatives to gasoline and diesel and therefore, fulfilling one of the Act’s primary intended purposes. Hundreds of new companies emerged in the United States to innovate and develop the technology for vehicles to run on propane, build refueling infrastructure and provide transportation fuel alternatives to gasoline and diesel-powered vehicles.

Propane vehicles, particularly when deployed in commercial fleets that drive more miles and therefore consume more fuel, emit up to 35% fewer greenhouse gas emissions, reduce carbon dioxide emissions by 16-18% and significantly reduce emissions of Nitrogen Oxides (NOx) compared to gasoline vehicles. They also reduce emissions versus diesel significantly. Propane school buses are being deployed in school districts around the country. Studies have demonstrated that the human health benefits for children riding propane buses versus diesel are substantial due to reductions in particulate matter and soot.

We are seeing some impressive preliminary results from West Virginia University in-use testing. The test compared a model year 2014 diesel bus and MY2015 propane bus on a route around Morgantown, WV that consists of both city and highway driving. Such a stop-and-go route simulates low speed operation and passenger pickup. The test shows that in use NOx emissions average less than 0.05 g/mile from propane bus and more than 1 g/mile from diesel bus during Morgantown route after a cold start. In addition, in use NOx emissions average less than 0.1 g/mile from propane bus and more than 5 g/mile from diesel bus during stop and go route. Finally, in-use CO2 emissions average approximately 2800 g/mile from propane bus and approximately 3300 g/mile from diesel bus during a stop and go route.

Today, the alternative fuels market is poised for growth. However, the fuel tax incentives created in 2005 have only been renewed generally on a retroactive basis and even then, intermittently. In other words, it took 4 or 5 years for companies to get started, create the technology, secure Environmental Protection Agency and California Air Resources Board certifications to legally install alternative fuel technology on vehicles and initiate the investments in refueling infrastructure necessary to create the market. These sizable human and financial investments have been forced over the years to operate in a business environment where decisions cannot be made with any certainty due to the expiration of the credits every December 31.

In 2010, my company, Blossman Gas, created a subsidiary called Alliance Autogas. Alliance Autogas operates in 45 U.S. states and provides certified vehicle conversions, refueling infrastructure, reliable fuel supply and a service network to maintain fleet vehicles. The amount of financial and human capital to create this company has been extraordinary and while we are experiencing consistent growth each year, I believe we are only impacting the marketplace at a fraction of what will happen in future years. We believe the advantages of propane in helping our customers reach their energy and environmental goals are valid reasons on their own to utilize propane, but fuel tax incentives will certainly accelerate the adoption of Propane AutoGas.

The lack of certainty on fuel tax incentives has caused hesitation with many decision makers. Indeed, in contrast to the United States, Europe and several Asian countries are providing fuel incentives for the use of propane AutoGas, primarily for its environmental benefits. For example, Germany just extended its fuel incentives for propane use through 2022 as a reflection of its commitment. Regardless, they are acting to ensure that cleaner alternatives to traditional fuels are incentivized.

Another reason to advocate for these alternative fuel tax credits is that they support technologies that directly use American energy. In a propane-powered vehicle, the propane is directly consumed with virtually no loss of energy, in contrast to an electric vehicle, where significant losses in energy occur between production and use. Our electric grid only delivers approximately one-third of the energy produced by the power plant to the plug, which is an inefficient use of energy compared to the direct use of propane. Full Fuel Cycle Analysis is an excellent methodology used to calculate all the factors associated with energy delivery and efficiency, one that has been adopted by the Department of Energy for use within its energy conservation and emissions reductions activities. Even if the efficiency of electricity delivery could be improved, concerns about the supply chain of battery materials and the capacity of the electric grid system in the United States should give us pause when evaluating the benefits of electric vehicles.

Finally, I would like to add NPGA's support for an extension of the alternative fuel mixture excise tax credit. We believe this credit will increase year-round propane usage. When small amounts of taxable fuel are blended into propane under the terms of this credit, the mixture will qualify. Extension of this credit will allow the industry to further expand infrastructure investment for year-round demand such as use in school bus fleets. Propane use lowers emissions, reduces bus disruptions, and its low cost allows schools to retain teachers and invest in students. Finally, the provision encourages conversion of traditional heating fuels such as coal and fuel oil into clean propane in order to reduce emissions. The investments by the industry to install blending equipment and quality control processes are significant, and the credit allows recovery to further propane market development.

I urge this committee to continue incentivizing Propane AutoGas for the energy security and environmental benefits it provides. Doing so as far into the future as possible would allow

companies that have been established in this area to take advantage of the business platforms they have created and help our country utilize domestically produced fuels rather than shipping our natural resources to other Nations. The increased use of propane as a vehicle fuel is helping to create American jobs, make the United States more energy secure, and lead to the deployment of more environmentally-friendly vehicles. Unfortunately, uncertainty about the future of these credits has limited their effectiveness.

Again, on behalf of NPGA I want to thank you for your time and consideration. And I encourage each member of this panel to support a cleaner and more energy independent transportation marketplace by enacting into law long-term extensions of the Alternative Fuel Credit, the Alternative Fuel Vehicle Refueling Property Credit, and the Alternative Fuel Mixture Credit.

Thank you.