



Regulation Review

Regulation Review: EPA Refinery Rule

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After a raft of significant energy regulation (Utility MACT, CSAPR, and Boiler MACT), the Environmental Protection Agency (EPA) recently released a final rule regulating “process heaters and flares” in petroleum refineries. The pre-publication [version](#) is 304 pages.

The current rule is actually a set of amendments from a 2008 rulemaking. A series of petitions for reconsideration has caused EPA to delay implementation of the refinery regulations until now. EPA originally [proposed](#) the amendments in December 2008.

The rulemaking seeks to control emissions from two components of refineries: process heaters and flares. The rule affects process heaters “modified, reconstructed or constructed after May 14, 2007,” and flares “modified, reconstructed or constructed after June 24, 2008.” EPA expects the rule to affect 400 flares.

Breakdown:

Proposed Rule:

- Total Costs: **\$350 Million**
- Annual Paperwork Burden: **Not Available**

Final Rule:

- Total Costs: **\$460 Million**
- Annual Paperwork Burden: **54,572 hours**

Net Change: \$110 Million in additional costs; 54,572 burden hours

Analysis:

This rule imposes nearly a half billion dollars of costs on yet another component of the country’s energy industry. EPA estimates annualized costs at roughly \$96 million. According to Census data, there are nearly 200 “petroleum refineries” in the country; that averages to almost \$500,000 in annual costs for each refinery.

Many of EPA’s recent regulations concentrate on power generation facilities, coal-fired power plants in particular. Most of those facilities are clustered in either the Mid-West or Mid-Atlantic regions. Although this rule overlaps somewhat, it also burdens previously unaffected areas.

According to Census data on the refining industry's geographic distribution, the rule would most dramatically affect the following states:

- Texas: \$92 million
- California: \$56.6 million
- Louisiana: \$42.4 million
- Pennsylvania: \$25.9 million
- Oklahoma: \$21.2 million

This rulemaking represents another significant move to regulate energy producers in the United States. With a final Boiler MACT regulation pending, and proposals to strengthen particulate matter standards, EPA will stay busy throughout 2012.