

MICHAEL D. GAYDA, PRESIDENT
PBF ENERGY TESTIMONY: H.B. NO. 6360
CONNECTICUT GENERAL ASSEMBLY ENERGY AND TECHNOLOGY COMMITTEE
THURSDAY, MARCH 7, 2013

Members of the General Assembly Energy and Technology Committee:

I am Michael D. Gayda, President of PBF Energy, the fifth largest independent U.S. oil refiner; the largest refiner on the East Coast, with refineries in New Jersey and Delaware; and the largest manufacturer of conventional heating oil (HO) in the northeast. Our employees are proud to manufacture the fuels and products that help provide the highest standards of living and mobility in history.

Thank you for providing this opportunity to testify on House Bill 6360. Although we support the decision by states in the northeast to lower the sulfur content in heating oil, we do not produce ultra-low sulfur heating oil and cannot convert our refineries to produce ultra-low sulfur heating oil in time to comply with the schedule proposed in H.B. 6360.

However, the record shows our management team's consistent commitment to a cleaner environment. For example, we managed the first refiner to support lower sulfur gasoline and removing MTBE from gasoline. In 1999 we were the first to supply 15ppm ultra-low sulfur diesel (ULSD) to New York, seven years before ULSD was required by law nationwide.

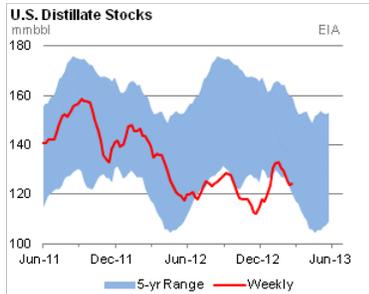
I am testifying because we believe there are serious negative consequences for Connecticut in the proposed bill. I want to increase your awareness of the market dynamics and potential impacts that H.B. No. 6360 could have on consumers of heating oil here in the State of Connecticut if you approve the accelerated implementation schedule you are considering today. Instead, you should consider and approve a schedule that moves to 500ppm sulfur heating oil in 2016, and then 15ppm Ultra-low Sulfur Heating Oil (ULSHO) in 2018. This is consistent with the Connecticut Department of Environmental Protection's (DEEP) preliminary schedule, in line with other states in the region, and would prevent Connecticut from being potentially disadvantaged by market factors.

In weighing your vote on this legislation, please consider the following points:

- Under current pricing/supply dynamics, this bill would increase heating oil prices in Connecticut.
 - ULSHO costs more to refine - more expensive than conventional HO.
 - The latest state government figures, dated February 14, 2013, show an average 12.3¢/gallon difference in price between HO in Connecticut and ULSHO in New York State.
 - Using 2011 federal estimates of HO sales in Connecticut of almost 550 million gallons as a baseline, Connecticut HO consumers would pay an extra ~\$67 million if ULSHO were mandated.
- Switching to ULSHO in 2013 could result in supply constraints.
 - U.S. distillate stocks are at their lowest level in many years.
 - Since 2009, 16 refineries have been shut down in the Atlantic Basin, resulting in the loss of 2.575 million barrels per day of refining capacity.
 - ULSHO and ULSD consumers would be competing for the same limited supply.
 - Neither we nor other local suppliers can make more Ultra Low Sulfur Distillates.
 - Due to demand for Ultra-low Sulfur Distillates in Europe, non-North American sources cannot be counted on to supply the U.S. with these fuels.
 - Colonial pipeline is at capacity so additional supplies cannot move by pipe from the US Gulf Coast refiners.
 - Shipping by vessel from the US Gulf Coast is very expensive because of the Jones Act.

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- There is no federal environmental requirement that mandates a change to ULSHO.
 - Connecticut meets the federal EPA clean air standard for fine particulate matter.
- We are taking steps to both increase ULSD production and begin producing ULSHO at our East Coast refineries.
 - Doing this requires projects involving large investments over time ... years rather than weeks ... and PBF Energy is preparing to meet the original target of 15ppm ULSHO by 2018, not an accelerated schedule.



Bearing out market forces at work, this US Energy Information Agency (EIA) chart shows U.S. distillate stocks have fallen over the past year - <http://www.eia.gov/petroleum/heatingoilpropane/>. There are also other logistical factors to consider, some of which were cited by other states when developing their transition to ULSHO. For example, both New Jersey and Pennsylvania cited lack of refinery desulfurization capacity to manufacture an adequate supply of Ultra-low Sulfur Distillates.

Because of market dynamics, we are unable to forecast with any certainty whether there will be enough ultra-low sulfur distillate available to avoid market disruptions and/or price volatility in the future in Connecticut. However, what I can tell you is that since ULSD was required nationwide in 2006, there has been a historical differential between the price of conventional and Ultra-low Sulfur Distillates like the ULSHO you would require this year in Connecticut under this legislation.

In closing, I have laid out a number of logistical and market-based reasons that support rejecting the proposed accelerated implementation plan for ULSHO outlined in H.B No. 6360, and ask that you consider adopting a more measured transition schedule for moving to 15ppm ULSHO that takes these factors into consideration.

I am pleased to have had this opportunity to share PBF Energy's perspective with you. Thanks again for this opportunity and I welcome your questions at this time.

Michael D. Gayda, President
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