Office of the Governor ARNOLD SCHWARZENEGGER THE PEOPLE'S GOVERNOR

PRESS RELEASE

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Governor Schwarzenegger Requests Approval of Oxygenate Waiver

In a letter to the U.S. Environmental Protection Agency, Governor Schwarzenegger urged the approval of California's request for a waiver of the Federal Minimum Oxygen Requirement on gasoline.

The letter follows:

January 28, 2004

The Honorable Michael O. Leavitt
Administrator
U.S. Environmental Protection Agency
Ariel Rios Building
1200 Pennsylvania Avenue, N.W.
Washington, DC 20460

Dear Mr. Leavitt,

I am writing to urge the U.S. Environmental Protection Agency (U.S. EPA) to approve California's request for waiver of the Federal Minimum Oxygen Requirement in gasoline.

As you know, California has long led the nation in efforts to reduce air pollution. My administration is committed to building on the efforts to date in protecting Californians from air and water pollution, reducing the costs of unnecessary mandates and ensuring that regulations have a sound technical basis. The oxygen requirement now in effect in California is inconsistent with all of these principles.

In April 1999, California determined it was necessary to ban the use of Methyl Tertiary-Butyl Ether (MTBE) in gasoline, and concurrently requested that U.S. EPA use its authority under section 211(k)(2)(B) of the Clean Air Act (CAA) to allow California to use non-oxygenated gasoline. In the almost five years since we made this request, MTBE use has been eliminated, the U.S. EPA's Blue Ribbon Panel has concluded that a minimum oxygen content is not needed in California, and the California Air Resources Board has demonstrated that the oxygen requirement is detrimental to our efforts to achieve healthy air quality. Furthermore, the oxygen requirement limits the ability of fuel producers to use the most cost-effective mix of gasoline blends and, as a result, greatly increases fuel costs borne by California motorists.

That being stated, I recognize the benefit of one aspect of the CAA oxygen requirement—the dramatically increased use of ethanol. However, due to the ban on MTBE use, there will be a very large ethanol market in California even without the CAA oxygen mandate. This will occur under the California's fuels regulations that allow, but do not require, oxygen in gasoline. California is also considering various mechanisms to spur-in-state ethanol production so that our citizens and our economy benefit directly from the State's increased use of ethanol as a gasoline blending component.

Simply put, the CAA oxygen mandate slows environmental improvement, raises costs and is no longer required to ensure substantial and sustained ethanol use in California. Mr. Terry Tamminen, Secretary, California Environmental Protection Agency, will be providing detailed information of why our waiver request should be approved.

I appreciate your consideration of our request and I urge U.S. EPA to act promptly on this request so that we can begin to realize the environmental and economic benefits that a waiver will provide as soon as possible. If you have

questions or comments, please contact Secretary Tamminen.

Sincerely,

Arnold Schwarzenegger
Governor of California