



February 13, 2019

The Honorable Larry Kudlow  
Director, National Economic Council  
The White House  
1600 Pennsylvania Avenue, NW  
Washington D.C. 20500

The Honorable John Bolton  
National Security Advisor  
The White House  
1600 Pennsylvania Avenue, NW  
Washington, D.C. 20500

Dear Messrs. Kudlow and Bolton,

The Coalition for American Energy Security represents a diverse coalition of American refiners, oil and gas producers, shipping companies and labor. We recently formed to educate policymakers on the benefits to the United States of timely implementation of the International Maritime Organization's (IMO) 2020 standards. Imposing the standards in a timely manner will serve as a tremendous boost to the United States economy while simultaneously benefiting the environment and human health.

On January 1, 2020, the IMO will be implementing its global sulfur cap on marine fuels. The IMO 2020 standards will require that marine fuels contain a maximum of 0.5 percent sulfur by weight, down from the current global limit set at 3.5 percent.

The United States already produces significant volumes of low-sulfur fuels domestically. Meanwhile, refiners in foreign countries such as Russia, Venezuela and Iran are far less prepared to comply with IMO 2020 standards. IHS Markit's senior research analyst has stated that "Russia's oil segment appears to end up among the biggest losers financially." Similarly, Mel Larson, a consultant at KBC Advanced Technologies Inc., found that Petroleos de Venezuela SA – one of the world's largest exporters of high-sulfur fuel – has not yet invested in upgrades to their refineries to produce low-sulfur fuel.

While our some of our foreign competitors are behind, we are uniquely positioned to meet an increased global demand for cleaner fuels. In a recently published op-ed, Dr. James Corbett of the University of Delaware noted that, "all U.S. ports have required cleaner ship fuels for ocean-going vessels since 2015." With America's pre-existing structural advantages, timely implementation of IMO standards will strengthen America's energy security.

Agreed upon in 2008, IMO 2020 standards are not a surprise to American industry—and they are certainly not an "overnight" phenomenon, as falsely described by some groups. Moreover, in 2016, countries participating in the IMO reaffirmed the January 1, 2020 start date for the new standards, on grounds that industry is adequately prepared to meet them. With more than a decade to prepare, many refiners and shipbuilders have significantly invested in infrastructure upgrades to meet global demand for these cleaner fuels. In fact, in recent years the U.S. refining industry has invested \$100 billion to produce



clean fuels, including IMO compliant fuels. U.S. industry and its workers can meet the new standards, on time, a fact that can only help strengthen America's growing energy dominance.

Critics of the standards have ignored that shippers have multiple options under IMO. For instance, rather than run on new, low-sulfur fuel, they could switch to using liquified natural gas (LNG), which would benefit American LNG producers at a time when the Administration is looking to promote the security benefits of selling the fuel globally. An IMO study projects the standard will result in a 50-percent increase in LNG use for marine transportation. Shippers can also install emission-control devices known as "scrubbers." Despite critics' claims to the contrary, several shippers view "scrubbers" as an economically viable alternative and have announced the intention to install these devices on their ships. In fact, scrubber installation seems to be accelerating. Columbia University's Center on Global Energy Policy found that most IMO 2020 cost forecasts have failed to take this heightened installation rate into account, resulting in inaccurate and uncertain assumptions on the standards' economic impact.

Additionally, IMO will significantly benefit America's shale oil producers. While U.S. refiners are built to maximize fuel products by processing heavy oil, as previously mentioned, many foreign refiners do not have such capabilities. As a result, refiners across the globe will demand more light, low-sulfur crude oil from American shale wells in North Dakota and Texas, to name just a few. Such global demand will greatly advance the Administration's "energy dominance" objective.

We've seen some hyperbolic, and flawed, analyses by market analysts concerning the consumer price impacts of IMO 2020. In its most recent Short-Term Energy Outlook (STEO), the U.S. Energy Information Administration (EIA) found that there will initially be a slight increase in diesel retail prices. An initial bump in the road is to be expected with any change of this magnitude. But the STEO also reported that consumers will be paying less at the pump in 2020 than they did last year. On top of that, the EIA predicted that any price changes following IMO 2020 will quickly diminish over time.

Timely implementation of IMO 2020 will be another success story in President Trump's drive to achieve American energy dominance. Staying the course means benefits for workers, consumers, manufacturers and the country as a whole. The U.S. is ready, so let's move ahead without delay or modification.

Sincerely,

The Coalition for American Energy Security

cc:

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