SUMMARY:
The highway diesel fuel sulfur program, finalized in 2001, is resulting in the nationwide transition in 2006 of most diesel fuel from low-sulfur diesel (LSD) to ultra-low sulfur diesel (ULSD). Some in the diesel fuel production and distribution industries have indicated that they may be unable to complete the transition to ULSD by the current deadlines at the very furthest reaches the distribution system. In response, today’s proposed action would make limited changes to the transition provisions for entities in the highway diesel distribution system. These proposed changes finely balance the concerns of the fuel industry with the critical need for ULSD to be available for 2007 diesel vehicles and engines. The impacts of the recent hurricanes along the Gulf Coast of the U.S. are not a contributing factor in today’s proposed action, and there would be no change in the June 1, 2006 start date for refiners to be producing ULSD (15 ppm sulfur).

We propose to extend the ULSD implementation dates for terminals and retail outlets by 45 days. Thus, terminals would have until September 1, 2006 (vs. July 15) and retailers would have until October 15, 2006 (vs. September 1) to complete their transitions to ULSD. We also propose that downstream of the refinery fuel slightly higher than 15 ppm sulfur could temporarily be sold as USLD. In addition, we propose to extend the beginning of the restriction on how much ULSD can be downgraded to higher sulfur fuel by 15 days, to October 15, 2006 to be consistent with the end of the proposed new transition dates.

The rule also includes proposed corrections to the recordkeeping and reporting requirements under the highway diesel and also proposes several minor amendments to the highway diesel sulfur, nonroad diesel sulfur, and gasoline sulfur programs to correct errors or omissions in the regulations.

DATES: Written comments must be received by December 22, 2005. More information about commenting on this action may be found under Public Participation in SUPPLEMENTARY INFORMATION, below.

ADDRESSES: For detailed instructions on submitting comments and additional information on the rulemaking process, see the “Public Participation” heading of the SUPPLEMENTARY INFORMATION section of this document. This proposed rule and the accompanying direct final rule are available electronically on the day of publication from the Office of the Federal Register Internet Web site listed below. Prepublication electronic copies of these notices are also available from the EPA Office of Transportation and Air Quality Web site listed below. This service is free of charge, except for any cost that you already incur for internet connectivity.

Federal Register Web Site: http://www.epa.gov/docs/fedrgstr/EPA-AIR/ (Either select desired date or use Search feature.)

Office of Transportation and Air Quality Web Site: http://www.epa.gov/otaq/ (Look in “What’s New” or under the specific rulemaking topic.)

Please note that due to differences between the software used to develop the document and the software into which the document may be downloaded, changes in format, page length, etc. may occur.

EPA has established a docket for this action under Docket ID No. OAR–2005–0153. All documents in the docket are listed in the EDOCKET index at http://www.epa.gov/edocket. Although listed in the index, some information is not publicly available, i.e., Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Certain other material, such as copyrighted material,
is not placed on the Internet and will be publicly available only in hard copy form. Publicly available docket materials are available either electronically in EDOCKET or in hard copy at the Air Docket, EPA/DC, EPA West, Room B102, 1301 Constitution Ave., NW., Washington, DC. The Public Reading Room is open from 8:30 a.m. to 4:30 p.m., Monday through Friday, excluding legal holidays. The telephone number for the Public Reading Room is (202) 566–1744, and the telephone number for the Air Docket is (202) 566–1742.

FOR FURTHER INFORMATION CONTACT: Tad Wyso, Assessment and Standards Division, U.S. EPA, National Vehicle and Fuels Emission Laboratory, 2000 Traveler Dr., Ann Arbor, MI 48105; telephone: (734) 214–4332, fax: (734) 214–4816, e-mail: wyso.tad@epa.gov.

SUPPLEMENTARY INFORMATION: For further information, including the rationale, administrative requirements, statutory authority, and regulatory text for these technical amendments, please see the information provided in the direct final action that is located in the “Rules and Regulations” section of this Federal Register publication.

Public Participation: EPA solicits comments on all aspects of this proposal from all parties. Wherever applicable, full supporting data and detailed analysis should also be submitted to allow EPA to make maximum use of the comments. You may submit comments, identified by Docket No. OAR–2005–0153, by any of the following methods:

• Federal eRulemaking portal: http://www.regulations.gov. Follow the instructions for submitting comments.
• E-mail: A-and-R–Docket@epa.gov. Include Docket No. OAR–2005–0153 in the subject line of the message.
• Fax: (202) 566–1741.
• Mail: U.S. Environmental Protection Agency, EPA West (Air Docket), 1200 Pennsylvania Avenue, NW., Room: B108; Mail Code: 6102T, Washington, DC 20004.

Instructions: Direct your comments to Docket ID No. OAR–2005–0153. EPA’s policy is that all comments received will be included in the public docket without change and may be made available online at http://www.epa.gov/edocket, including any personal information provided, unless the comment information claimed to be Confidential Business Information (CBI) or other information whose disclosure is restricted by statute. Do not submit information that you consider to be CBI or otherwise protected through EDOCKET, regulations.gov, or e-mail.

The EPA EDOCKET and the federal regulations.gov Web sites are “anonymous access” systems, which means EPA will not know your identity or contact information unless you provide it in the body of your comment. If you send an e-mail comment directly to EPA without going through EDOCKET or regulations.gov, your e-mail address will be automatically captured and included as part of the comment that is placed in the public docket and made available on the Internet. If you submit an electronic comment, EPA recommends that you include your name and other contact information in the body of your comment and with any disk or CD–ROM you submit. If EPA cannot read your comment due to technical difficulties and cannot contact you for clarification, EPA may not be able to consider your comment. Electronic files should avoid the use of special characters, any form of encryption, and be free of any defects or viruses. For additional information about EPA’s public docket visit EDOCKET on-line or see the Federal Register of May 31, 2002 (67 FR 38102).

I. Statutory and Executive Order Reviews

A. Executive Order 12866: Regulatory Planning and Review

Under Executive Order 12866 (58 FR 51735, October 4, 1993), the Agency is required to determine whether this regulatory action would be “significant” and therefore subject to review by the Office of Management and Budget (OMB) and the requirements of the Executive Order. The order defines a “significant regulatory action” as any regulatory action that is likely to result in a rule that may:

• Have an annual effect on the economy of $100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or State, local, or tribal governments or communities;
• Create a serious inconsistency or otherwise interfere with an action taken or planned by another agency;
• Materially alter the budgetary impact of entitlements, grants, user fees, or loan programs or the rights and obligations of recipients thereof; or,
• Raise novel legal or policy issues arising out of legal mandates, the President’s priorities, or the principles set forth in the Executive Order.

Pursuant to the terms of Executive Order 12866, EPA has determined that this proposed rule is not a “significant regulatory action”. Today’s action proposes to move the implementation date for certain recordkeeping and reporting requirements under the highway diesel program from June 1, 2007 to June 1, 2006 for an additional one time cost of $11,570,000 (see sections II and IV.B. in the preamble to the direct final rule that accompanies this proposal in the “Rules and Regulations” section of this Federal Register). Today’s proposal would extend the terminal and retail ULSD implementation dates, and the effective date of the anti-downgrading requirement, and increase the downstream sulfur adjustment factor during the transition period to ULSD (see section I of the preamble to the accompanying direct final rule). There would be no new costs associated with these provisions. There would also be no new costs associated with the other proposed miscellaneous technical amendments to the highway diesel, nonroad diesel, and Tier 2 gasoline programs (see section III in the accompanying direct final rule).

Therefore, this proposed rule is not subject to the requirements of Executive Order 12866.

Final Regulatory Support Documents were prepared in connection with the original regulations for the Highway Diesel Rule, Nonroad Diesel Rule, and Tier 2 gasoline rule as promulgated on January 18, 2001, June 29, 2004, and February 10, 2000 respectively, and we have no reason to believe that our analyses in the original rulemakings were inadequate. The relevant analyses are available in the docket for the January 18, 2001 rulemaking (A–99–061), the June 29, 2004 rulemaking (OAR–2003–0012 and A–2001–28)¹, and the February 10, 2000 rulemaking (A–97–10), and at the following Internet addresses: http://www.epa.gov/cleandiesel and http://www.epa.gov/tier2. The original actions were submitted to the Office of Management and Budget for review under Executive Order 12866.

B. Paperwork Reduction Act

The annual information collection burden associated with this action was accounted for in previously approved ICRs. The provisions of this proposed rule would provide limited additional

¹ During the course of the Nonroad Rule, the Agency converted from the legacy docket system to the current electronic docket system (EDOCKET).
flexibility to entities in the highway diesel distribution system during the transition to ultra-low sulfur diesel fuel in 2006. The other miscellaneous proposed amendments in today’s notice contain technical corrections and clarifications which do not include any new information collection requirements. The proposed amendments to the designate and track provisions under the highway and nonroad diesel programs (contained in section II of the accompanying direct final rule) would require compliance with these provisions beginning June 1, 2006. Compliance with these provisions is currently required beginning June 1, 2007. The annual compliance burden associated with these provisions would not be affected by advancing the implementation date by one year. This annual burden was accounted for in the current information collection request for the highway and nonroad diesel fuel programs. The Office of Management and Budget (OMB) has previously approved the information collection requirements contained in the existing highway rule (66 FR 5002, January 18, 2001), the existing Nonroad Rule (69 FR 38958, June 29, 2004), and the existing Tier 2 gasoline rule (65 FR 6698, February 10, 2000), under the provisions of the Paperwork Reduction Act, 44 U.S.C. 3501 et seq. The ICRs contained in the highway diesel and nonroad diesel rules were assigned OMB control number 2060–0308, and EPA ICR number 1718.06. This ICR is currently being revised to reflect the change in the implementation date for the pertinent designate and track requirements from June 1, 2006 to June 1, 2007 (consistent with the accompanying direct final rule). The annual compliance burden for the full designate and track requirement beginning in June 1, 2007 was estimated at $11,570,000 and 178,000 hours. The designate and track requirements that today’s proposed rule would make effective June 1, 2006, are for a limited subset of designated fuels (highway diesel only), and the reporting requirements for the initial year (June 1, 2006—May 31, 2007) were abbreviated by today’s rule. Therefore, the annual burden for the initial year could be expected to be somewhat less than that estimated for following years.

The ICRs contained in the Tier 2 gasoline rule were assigned OMB control number 2060–0437, and EPA ICR number 1907.02. A copy of the OMB approved Information Collection Request (ICR) may be obtained from Susan Auby, Collection Strategies Division; U.S. Environmental Protection Agency (2822T); 1200 Pennsylvania Ave., NW., Washington, DC 20460 or by calling (202) 566–1672.

Burden means the total time, effort, or financial resources expended by persons to generate, maintain, retain, or disclose or provide information to or for a Federal agency. This includes the time needed to review instructions; develop, acquire, install, and utilize technology and systems for the purposes of collecting, validating, and verifying information, processing and maintaining information, and disclosing and providing information; adjust the existing ways to comply with any previously applicable instructions and requirements; train personnel to be able to respond to a collection of information; search data sources; complete and review the collection of information; and transmit or otherwise disclose the information.

An agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a currently valid OMB control number. The OMB control numbers for EPA’s regulations in 40 CFR are listed in 40 CFR part 9.

C. Regulatory Flexibility

The Regulatory Flexibility Act (RFA) generally requires an agency to prepare a regulatory flexibility analysis of any rule subject to notice and comment rulemaking requirements under the Administrative Procedure Act or any other statute unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities. Small entities include small businesses, small organizations, and small governmental jurisdictions.

For purposes of assessing the impacts of this rule on small entities, a small entity is defined as: (1) A small business as defined by the Small Business Administration (SBA) size standards at 13 CFR 121.201; (2) a small governmental jurisdiction that is a government of a city, county, town, school district or special district with a population of less than 50,000; and (3) a small organization that is any not-for-profit enterprise which is independently owned and operated and is not dominant in its field.

After considering the economic impacts of today’s proposed rule on small entities, we certify that this action would not have a significant economic impact on a substantial number of small entities. The proposed ULSD transition provisions in today’s rule would provide temporary flexibility to entities in the highway diesel distribution system downstream of the refineries and import facilities. Advancing the implementation date for certain recordkeeping and reporting requirements under the highway diesel program (as described in section II of the preamble to the direct final rule that accompanies this proposal) would result in an additional one year of costs associated with compliance with these provisions for all affected fuel distributors, including those that are small entities. During the rulemaking that resulted in the promulgation of these provisions, we determined that they would not have a significant impact on a substantial number of small entities. The other miscellaneous proposed technical amendments to the highway diesel, nonroad diesel, and Tier 2 gasoline programs would not impose a significant new burden to any regulated party.

Prior to proposing the Highway Rule on June 2, 2000, the Nonroad Rule on May 23, 2003, and the Tier 2 Gasoline Rule on May 13, 1999 EPA conducted outreach to small entities and convened Small Business Advocacy Review (SBAR) panels to obtain the advice and recommendations of representatives of the small entities that potentially would be subject to the requirements of the rules (66 FR at 5130, 69 FR at 39155–6, and 69 FR 39155–39162 respectively). For a full description of the Panel process, the SBAR report, and the initial Regulatory Flexibility Analyses (in Chapters 8, 11, and 8 respectively) of each rule’s Regulatory Impact Analysis (RIA), refer to the docket for the Highway Diesel Rule (Public Docket A–99–061), the Nonroad Diesel Rule (Public Docket OAR–2003–0012 and A–2001–28), and the Tier 2 Gasoline Rule (Public Docket A–97–10), and the following Internet addresses: http://www.epa.gov/cleandiesel/ and http://www.epa.gov/tier2/.

D. Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA), Public Law 104–4, establishes requirements for Federal agencies to assess the effects of their regulatory actions on state, local, and tribal governments and the private sector. Under section 202 of the UMRA, EPA generally must prepare a written statement, including a cost-benefit analysis, for proposed and final rules with “Federal mandates” that may result in expenditures to state, local, and tribal governments, in the aggregate, or to the private sector, of $100 million or more in any one year. Before promulgating an EPA rule for which a written statement is required, section 205 of the UMRA generally requires EPA to identify and consider a reasonable
number of regulatory alternatives and to adopt the least costly, most cost-effective, or least burdensome alternative that achieves the objectives of the rule. The provisions of section 205 do not apply when they are inconsistent with applicable law. Moreover, section 205 allows EPA to adopt an alternative other than the least costly, most cost-effective, or least burdensome alternative if the Administrator publishes with the final rule an explanation of why such an alternative was adopted.

Before EPA establishes any regulatory requirements that may significantly or uniquely affect small governments, including tribal governments, it must have developed a small government agency plan under section 203 of the UMRA. The plan must provide for the following: Notifying potentially affected small governments, enabling officials of affected small governments to have meaningful and timely input in the development of EPA regulatory proposals with significant Federal intergovernmental mandates, and informing, educating, and advising small governments on compliance with the regulatory requirements.

This proposed rule contains no federal mandates for state, local, or tribal governments as defined by the provisions of Title II of the UMRA. This proposed rule would impose no enforceable duties on any of these governmental entities. Nothing in the rule would significantly or uniquely affect small governments. EPA has determined that this rule contains no federal mandates that may result in expenditures of more than $100 million to the private sector in any single year. The requirements of UMRA therefore do not apply to this action.

E. Executive Order 13132: Federalism

Executive Order 13132, entitled “Federalism” (64 FR 43255, August 10, 1999), requires EPA to develop an accountable process to ensure “meaningful and timely input by State and local officials in the development of regulatory policies that have federalism implications.” “Policies that have federalism implications” are defined in the Executive Order to include regulations that have “substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government.”

Under Section 6 of Executive Order 13132, EPA may not issue a regulation that has federalism implications, imposes substantial direct compliance costs, and is not required by statute. However, if the Federal government provides the funds necessary to pay the direct compliance costs incurred by State and local governments, or EPA consults with State and local officials early in the process of developing the regulation, these restrictions do not apply. EPA also may not issue a regulation that has federalism implications and that preempts State law, unless the Agency consults with State and local officials early in the process of developing the regulation.

Section 4 of the Executive Order contains additional requirements for rules that preempt State or local law, even if those rules do not have federalism implications (i.e., the rules will not have substantial direct effects on the States, on the relationship between the national government and the states, or on the distribution of power and responsibilities among the various levels of government). Those requirements include providing all affected State and local officials notice and an opportunity for appropriate participation in the development of the regulation. If the preemption is not based on express or implied statutory authority, EPA also must consult, to the extent practicable, with appropriate State and local officials regarding the conflict between State law and Federally protected interests within the agency’s area of regulatory responsibility.

This rule does not have federalism implications. It would not have substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government, as specified in Executive Order 13132. Although section 6 of Executive Order 13132 did not apply to the Highway Rule (66 FR 5002) or the Nonroad Rule (69 FR 38958), EPA did consult with representatives from STAPPA/ALAPCO, which represents state and local air pollution officials. In the spirit of Executive Order 13132, and consistent with EPA’s practice of communications between EPA and State and local governments, EPA specifically solicits comment on this proposed rule from State and local officials.

F. Executive Order 13175: Consultation and Coordination With Indian Tribal Governments

Executive Order 13175, entitled “Consultation and Coordination with Indian Tribal Governments” (59 FR 22951, April 6, 2000), requires EPA to develop an accountable process to ensure “meaningful and timely input by tribal officials in the development of regulatory policies that have tribal implications.” “Policies that have tribal implications” is defined in the Executive Order to include regulations that have “substantial direct effects on one or more Indian tribes, on the relationship between the Federal government and the Indian tribes, or on the distribution of power and responsibilities between the Federal government and Indian tribes.”

This rule does not have tribal implications. It would not have substantial direct effects on tribal governments, on the relationship between the Federal government and Indian tribes, or on the distribution of power and responsibilities between the Federal government and Indian tribes, as specified in Executive Order 13175. This rule would not uniquely affect the communities of Indian Tribal Governments. This rule does not have tribal implications and does not impose substantial direct compliance costs on Indian tribal governments. Thus, Executive Order 13175 does not apply to this rule. EPA specifically solicits comment on this proposed rule from tribal officials.

G. Executive Order 13045: Children’s Health Protection

Executive Order 13045, “Protection of Children from Environmental Health Risks and Safety Risks” (62 FR 19885, April 23, 1997) applies to any rule that (1) is determined to be “economically significant” as defined under Executive Order 12866, and (2) concerns an environmental health or safety risk that EPA has reason to believe may have a disproportionate effect on children. If the regulatory action meets both criteria, section 5–501 of the Order directs the Agency to evaluate the environmental health or safety effects of the planned rule on children, and explain why the planned regulation is preferable to other potentially effective and reasonably feasible alternatives considered by the Agency.

This rule is not subject to the Executive Order because it is not economically significant, and does not involve decisions on environmental health or safety risks that may disproportionately affect children.

H. Executive Order 13211: Actions That Significantly Affect Energy Supply, Distribution, or Use

This rule is not a “significant energy action” as defined in Executive Order 13211. "Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use" (66 FR 28355, May 22, 2001) because it is not likely that it
would have a significant adverse effect on the supply, distribution or use of energy. This proposed rule would provide limited, temporary flexibility to entities in the highway diesel distribution system downstream of the refineries and import facilities. Other proposed amendments contained in today’s action pertain to ensuring the enforceability of the highway diesel program. The remaining proposed amendments in today’s rule would provide technical correction and clarification to the requirements under the highway diesel, the nonroad diesel, and the Tier 2 gasoline programs.

I. National Technology Transfer and Advancement Act

Section 12(d) of the National Technology Transfer and Advancement Act of 1995 (“NTTAA”), Public Law 104–113, section 12(d) (15 U.S.C. 272 note) directs EPA to use voluntary consensus standards in its regulatory activities unless doing so would be inconsistent with applicable law or otherwise impractical. Voluntary consensus standards are technical standards (such as materials specifications, test methods, sampling procedures, and business practices) that are developed or adopted by voluntary consensus standards bodies. NTTAA directs EPA to provide Congress, through OMB, explanations when the Agency decides not to use available and applicable voluntary consensus standards.

This proposed rule does not involve technical standards. Thus, we have determined that the requirements of the NTTAA do not apply.

II. Statutory Provisions and Legal Requirements

The statutory authority for this action comes from sections 211(c) and (i) of the Clean Air Act as amended 42 U.S.C. 7545(c) and (i). This action is a rulemaking subject to the provisions of Clean Air Act section 307(d). See 42 U.S.C. 7606(d)(1). Additional support for the procedural and enforcement related aspects of the rule comes from sections 144(a) and 301(a) of the Clean Air Act. 42 U.S.C. 7414(a) and 7601(a).

List of Subjects in 40 CFR Part 80

Air Act. 42 U.S.C. 7414(a) and 7601(a).

II. Background

SUPPLEMENTARY INFORMATION:

I. Public Comment Procedures

II. Background

The REA was passed in the 2005 Omnibus Appropriations bill signed into law on December 8, 2004. The Act provides authority for 10 years for the Secretaries of the Interior and