

Holiday Companies

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May 29, 2009

The Honorable Collin Peterson
Chairman, Committee on Agriculture
The U.S. House of Representatives
Longworth House Office Building
Washington, D.C. 20515-6001

Dear Mr. Chairman:

On behalf of Holiday Stationstores, I respectfully submit the following comments regarding the establishment of a federal low carbon fuel standard, which, until recently, was part of the Waxman-Markey climate change legislation currently being considered by Congress. We understand the proposed standard may be re-introduced at a later time. These comments are intended to help inform the Committee's review of such a policy if and when it reemerges for consideration.

Holiday Stationstores has serious concerns about the low carbon fuel standard and its implications for the Upper Midwest. We caution against adopting the legislation, which is largely modeled after California's low carbon fuel standard – a policy that is just two years old and has yet to be fully implemented or evaluated.

Headquartered in Bloomington, Minnesota, Holiday Stationstores operates approximately 325 corporate and 125 franchise convenience stores in 12 states in the northern tier region of the United States and Alaska. In 1999, Holiday launched Blue Planet gasoline and in doing so become the first company in the United States to voluntarily use cleaner fuel in all grades of gasoline. At the time, Blue Planet was responsible for cutting tailpipe emission 10-20 percent compared to the national average and reducing sulfur emissions by 80 percent. Today, this type of fuel is standard throughout the United States.

Holiday Stationstores is also a leading marketer and seller of gasoline blended with ethanol. We currently offer E-85 (85% ethanol) at 47 of our Minnesota locations. This fuel can be used by more than 200,000 Flexible Fueling Vehicles (FFV's) that can burn either gasoline or E-85.

Thanks in part to these efforts, Minnesota has among the cleanest burning fuels in the United States. However, Minnesota and a number of other Midwest states

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also rely heavily on transportation fuels that – while cleaner -- are considered by some to have a large carbon footprint.

Our primary concern with the proposed low carbon fuel standard is its evaluation of a given fuel source's indirect carbon emissions – particularly its potential treatment of corn-based ethanol and crude oil derived from Canada. Both of these fuel sources have been criticized by supporters of a low carbon fuel policy and both were expressly targeted by California's low carbon fuel standard in an effort to discourage their use.

The concept of a low carbon fuel standard itself is especially problematic for Midwest states. Unlike California, which produces much of its own crude, the Midwest relies on crude from Canada, which has the second largest oil reserves in the world (second only to Saudi Arabia). In Minnesota, for example, more than 80 percent of the state's crude supply comes from Canada. Although it's plentiful, Canadian crude is typically denser and requires more energy to produce than lighter and sweeter crudes. Consequently, Canadian crude can generate more greenhouse gas emissions than traditional drilling during the production process, resulting in higher life-cycle emissions. This makes it arguably more carbon intensive than crude derived from places like the Middle East.

The Upper Midwest may be further penalized for its heavy use of corn ethanol. Although language has been offered to exempt the production of corn ethanol from the standard, the bill's supporters have made it clear that a full-life cycle analysis for biofuels, including indirect land use, is necessary if the bill is to achieve its carbon objectives. As evidenced in California – the only state to implement a low carbon fuel standard – corn ethanol can be considered to have a carbon footprint that is equal to or even greater than gasoline when full life-cycle emissions are included in the analysis. At the very least, we believe this legislation opens the door to regulating the full “wells-to-wheels,” life-cycle emissions of corn ethanol and other biofuels.

These efforts to classify transportation fuel sources by their carbon intensity could have the unintended consequence of discouraging our use of North American fuel sources – specifically Canadian crude and corn ethanol – while creating a perverse incentive to use lower-carbon crude sources found elsewhere in the world including the Middle East. This raises concerns regarding the region's energy security. The policy also could have the unintended net effect of increasing global greenhouse gas emissions if U.S. production of Canadian crude is discouraged and the oil is transported instead to countries that have lower standards than those found in the Midwest.

We believe our concerns about Canadian crude and corn ethanol are well justified so long as the proposed low-carbon fuel legislation calls for both the extraction and production of feedstock to be measured as part of the required

full-life cycle analysis. California had the very same language concerning "production and extraction" in its original low-carbon fuel policy. That precise language was later used to justify the differential treatment of Canadian crude and corn ethanol.

As proposed, this policy will have a direct and adverse impact on the vast majority of transportation fuel currently being used in the upper Midwest, including fuels that presently serve as critical farm inputs for our nation's breadbasket. The economic consequences of this are as of yet unknown but could include dramatically higher fuel prices from an increase in demand for already-scarce (if not non-existent) low carbon fuels.

The Minnesota Legislature recently debated the merits of a state-based low carbon fuel standard, which raised similar concerns for our company. Although dozens of hours were committed to hearing the legislation, the Minnesota low carbon fuel standard failed to pass out of a single legislative committee, largely due to significant unanswered questions about the bill's economic and environmental impact. We believe the effects of a federal standard are equally uncertain and require further study.

There are also a number of practical concerns that must be dealt with before this policy advances, including whether there are sufficient low-carbon fuel alternatives available or whether the technology to create commercially viable low-carbon fuels even exists. These practical concerns are in addition to very real political concerns involving what actually constitutes a low-carbon fuel and the proclivity of policymakers to change that definition over time. For example, most scientific data today would suggest that Minnesota's current ethanol mandate, which requires up to a 20 percent fuel blend, would do little to help meet a low carbon standard using corn ethanol so long as full-life cycle emissions are part of the equation as they are in California. Even more difficult is the punitive carbon rating California policymakers have given to Canadian crude, which we fear may be replicated at the federal level.

Finally, it is important to consider this legislation's economic impact in the context of its true environmental potential. According to some experts, in Minnesota for example, transportation fuels make up just over 24 percent of the state's greenhouse gas emissions. About 70 percent of these emissions comes from the tailpipe, which would be largely unaffected by the legislation. This means that less than eight percent of Minnesota's total carbon footprint might be impacted by a low carbon fuel standard.

In effect, this legislation would radically alter Minnesota's fuel supply, irrespective of the consequences, in order to get at, at least potentially, the source of less than eight percent of Minnesota's total carbon footprint. In most cases, even if commercially viable low-carbon fuel alternatives existed, the actual carbon

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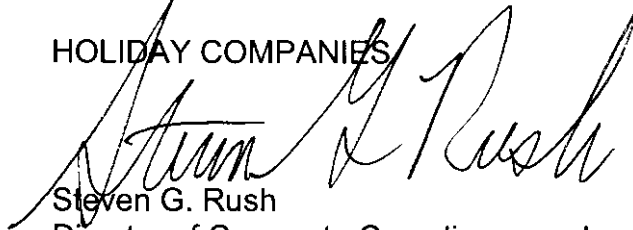
reductions scored as a result of this policy in each state would be a fraction of a single-digit percent. Conversely, the economic impact of this policy – especially on the Midwest – remains largely incalculable.

We urge the Committee to take into consideration the full scope of the environmental and economic impacts of a proposed low carbon fuel standard. We also request that special consideration be given to the policy's unique impact on Midwestern states that depend on corn ethanol and crude oil from Canada to meet their transportation fuel needs. Policies that discriminate against these fuel sources will undoubtedly hurt the states that depend on them and have the potential to stall their economic recovery.

On behalf of Holiday Stationstores, thank you for taking our concerns into consideration. We look forward to continuing a dialogue with the Committee on these important matters as warranted.

Sincerely,

HOLIDAY COMPANIES

A handwritten signature in black ink, appearing to read "Steven G. Rush", is written over the typed name and title.

Steven G. Rush
Director of Corporate Compliance and
Government Relations

SGR/amp.01

cc: Representative Tim Walz