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PBF ENERGY

Thomas D. O'Malley. Chairman
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April 25, 2012

Mr. Theodore Boll
Joint Economic Committee

Dear Mr. Boll,

Enclosed please find the draft testimony for my appearance before the JEC on Thursday, April 27th.

Should there be any questions or issues, please don't hesitate to contact me.

Kindest regards,

Thomas D. O'Malley

Statement of
Thomas D. O'Malley, Chairman of PBF Energy
Before the
U.S. Congress Joint Economic Committee
On
"Gas Prices in the Northeast: Potential Impact on the American Consumer Due to Loss of Refining Capacity"
April 26, 2012

Chairman Casey, Vice Chairman Brady and Members of the Committee, thank you for giving me the opportunity to testify at today's hearing on some of the factors that led to refinery closures in the Northeast. I'm Tom O'Malley and I serve as chairman of PBF Energy.

PBF Energy owns three refineries with a total capacity of 540 MBD. Two of the refineries are located in the Northeast, one in Delaware City, Delaware and the other in Paulsboro, New Jersey. Both of these refineries were acquired from Valero in 2010, one in a closed down condition and the other in danger of being closed. Both refineries are in operation today supplying fuel to the East Coast. Our third refinery is in Toledo, Ohio and has operated on a continuous basis since acquisition in March of 2011. We employ at the three refineries, directly and with contractors about 2,000 people.

The recent refinery closures that have occurred or are currently pending are the tip of an iceberg. If the fuel substitutions from 2012 to 2022 mandated under the Energy Independence Act of 2007 are maintained, we will lose over that time period an additional 10% minimum of U.S. capacity and the thousands of jobs that this important industry provides.

The 1,400,000 BBLs per day of renewable fuels over and above the 2011 mandate which includes 10% Ethanol in gasoline will, we believe, be more expensive than the product coming from refineries. When you combine this with what can only be described as an aberrant administration of the 2007 Act, particularly on RINs (Renewable Identification Numbers), by the EPA, it's easy to come to the conclusion that the government will drive refining companies out of business. This extra fuel substitution has no basis in economic reality and is marginal in terms of environmental improvement. The Act of 2007 may have seemed good policy in 2007. It is not today. If bio / renewable fuels manufacturers can produce on a superior economic basis to hydrocarbon fuels, they should do so and take market share the old fashioned way, better quality and better price without government mandates or subsidies.

We are on a road that may in fact get us close to independence on the Energy front. But, it will come from more production of hydrocarbons and not from taking corn out of the food chain and turning it into Ethanol or from some dream process that doesn't exist on an economic basis to make advanced bio-fuel at great cost to the consumer.

The other government action that will close more refineries and raise the price of fuels is the EPA Plan for Tier 3 Gasoline. The industry will have to spend billions of dollars to comply; money which the independents, who now control 60% of our capacity, don't have. Why? To lower sulfur content from 30 parts per million to ten parts per million. Under this Tier 3 Plan, the total sulfur removed from the PBF gasoline production of about 4.5 billion gallons would be less than 1/8 of what one 500 MW coal-fired power plant emits in a year. You have plants of this size not far from here.

Is this good policy in a weak economy, where it helps kill one of our last heavy industries that provides high paying jobs and meets the needs of our population?

This hearing is focused on the impact of potential closures of petroleum refineries serving the Northeast and the effect on prices. This is not just an issue for the Northeast, but for the entire nation.

In the short, medium and long term, it is my view that these closures will lead to higher prices. In certain circumstances, we could see dangerous shortages develop which could lend to severe economic disruption.

Current Government policy will drive refineries in other areas of the country out of business and this will further complicate the East coast situation.

We need to see an adjusted government policy that seeks to maintain this important strategic manufacturing industry and not a series of policies and laws that destroy it.

Removing the 2007 law's renewal fuel mandate eliminating the mandate for 10% ethanol in gasoline and holding the EPA back from an aggressive stance on Tier 3 fuel specifications would, in my view, lead to a healthy Delaware Valley refining industry and jobs for the workers in this valuable industry.

This situation is not the fault of either the Democrats or the Republicans. But, it can only be solved by a Congress that works together in the interest of all the American people.

Thank you for inviting me and the courtesy of listening to my views.