

July 7, 2017

President Donald J. Trump
The White House
1600 Pennsylvania Ave., NW
Washington, DC 20500

Dear. Mr. President,

The Plastics Pipe Institute (PPI) is the leading trade association representing more than 150 manufacturing companies and affiliated associates involved in the production and use of plastic pipe in our nation's infrastructure. Our members specifically include plastic pipe system manufacturers (which includes pipe and fittings), resin producers and plastic machinery manufacturers. The broad markets we serve include municipal; industrial; building and construction; telecommunications; power; sanitation, storm water, and energy.

Regarding the energy sector, our members produce plastic pipe, composite pipe, fittings, and components used in our nation's natural gas distribution network, and for a wide range of oil & gas gathering applications. Today polyethylene (PE) and polyamide (PA) pipe represents more than 95% of all newly installed gas distribution piping, while high-density polyethylene (HDPE) and advanced spoolable composite piping represent a large portion of the oil & gas gathering market in North America.

As the administration continues to work with the 115th Congress to develop a comprehensive infrastructure package, PPI encourages you to recognize the need to streamline and update the process of approving pipeline projects and to utilize state-of-the-art materials while doing so. The products our members manufacture offer pipe systems that are virtually leak-free and corrosion-free, and should be afforded any and all consideration. We appreciate your attention on the following policy issues moving forward.

Natural Gas Pipeline Permitting Reform

PPI members manufacture high-quality components used in all segments of a pipeline system that extend from the wellhead to the burner tip. A leading impediment to expanding key pipeline projects are delays in acquiring federal and state permits and rights-of-way approvals from various regulatory agencies and countless state entities with a role in the review process. These delays increase costs and lead to missed in-service dates and displacement of workers, neglecting the strong economic benefits that come with pipeline construction projects.

PPI supports policy that authorizes the Federal Energy Regulatory Commission (FERC) as the lead entity to establish the scope and schedule of pipeline permit application reviews and requires FERC to approve or deny a pipeline permit no later than 12 months after receiving an application. Moreover, concurrent reviews should be required so that other federal and state entities identify issues of concern early during the review process.

PPI has supported past legislation to streamline pipeline permit reviews, such as the Natural Gas Pipeline Permitting Reform Act in the 114th Congress. Although the language was watered down as comprehensive energy legislation moved through the legislative process, PPI supported the energy bill because provisions requiring concurrent reviews and

increased accountability on behalf of other federal and state entities were included in the bill. Expediting the permit process for critical pipeline projects is sorely needed, and PPI strongly supports provisions in an infrastructure package and/or a new comprehensive energy bill in this 115th Congress.

Pipeline Corridors on Public Lands

Vast energy resources exist in America's federally-owned lands. Federal agencies often restrict or deny access to industry to explore and produce these resources, and where access is permitted, federal regulations often render efforts to develop uneconomical. The effect is to deny the great potential benefit of new energy supplies to the American economy. PPI supports policy that allows for energy development and pipeline transportation on federal and tribal lands and accelerates permitting and right-of-way (ROW) approvals needed to do so.

The continuing debate over unnecessary “flaring” or “venting” of natural gas underscores the need to expand the capacity of our gathering pipeline systems. Expediting the permit and ROW approvals to allow for expansion of our gas gathering systems will increase the effective use of domestic energy by delivering it safely through pipelines to market and reduce wasteful flaring and venting of natural gas into the atmosphere.

Federal Environmental Permits

As mentioned earlier, PPI members manufacture medium and high-density polyethylene pipe used in more than 95 percent of new pipelines installed in today's natural gas distribution market. Demand for PE pipe is increasingly high as Local Distribution Companies (LDCs) continue to accelerate their cast iron and bare steel replacement programs. Overly burdensome environmental reviews should not hamper this important work, and PPI supports expedited permit processes for improvements to distribution systems as well as pipeline projects.

Authorization of “Rework” Materials

In 2015, the Pipeline and Hazardous Materials Safety Administration (PHMSA) issued a final rule that disallowed rework materials in regulated PE gas pipe production, pointing to the threat of contamination as justification for restricting its use. However, the plastic pipe industry has conducted studies that demonstrate the production and handling processes in place help ensure the rework materials used by operators are not contaminated during the manufacturing process.

PHMSA's rule presents a potentially significant financial impact on gas distribution companies and their ratepayers, totaling more than \$5.5 million annually, and without any proven safety benefit. As such, local distribution companies (LDCs) could pay higher than necessary costs to replace their aging infrastructure. In fact, since the final rule was issued, LDCs across the country purchased a total of 218,931,000 lbs. of plastic gas pipe in 2016 and 227,315,000 lbs. of plastic gas pipe in 2015 (based on PPI data). The estimated potential cost impact to-date for the pipe production industry is approximately \$11,000,000. This increased cost may get passed on to the LDCs in the form of higher pipe prices, and ultimately to the end user.

This issue is exacerbated when evaluating the economic limitations and safety risks that gas companies are confronted with by replacing less mileage per-year. Therefore, PPI supports legislation that would mandate PHMSA to allow for clean rework of PE used in gas distribution projects and/or regulatory action by the agency to authorize the use of rework.

PHMSA’s justification for prohibiting the use of rework material was based on opinions that restricting its use is the only way to ensure the materials are not contaminated during the manufacturing process. U.S. pipe manufacturers strongly disagree with this statement and have continuously improved their production process over many decades to mitigate the sources of contamination.

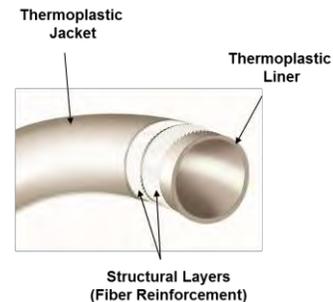
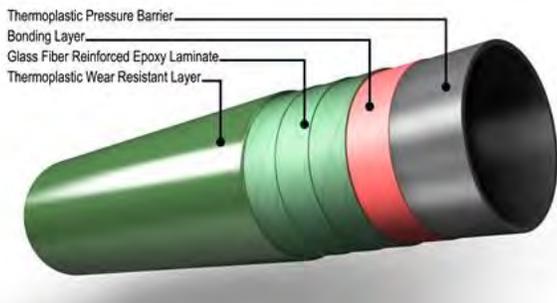
Contamination sources are not limited to rework materials – handling of virgin raw materials can also lead to contamination. Processes used by U.S. manufacturers have to ensure that only clean, uncontaminated raw materials are utilized and well documented. PPI can provide more information regarding these processes upon request.

Additionally, federal agencies, including PHMSA, are required to consider the environmental impact of its actions under the National Environmental Policy Act (NEPA). It is not clear that PHMSA has considered the environmental impacts of prohibiting rework material in the manufacture of polyethylene gas pipe. Permitting rework in the production of gas pipe would be a more efficient use of resources and would prevent the diversion of otherwise usable material to a landfill.

Prohibition of rework in gas distribution is an unnecessary regulation based on “beliefs” instead of published research and standards. Subsequently, this action may cost operators approximately 3% more for every foot of polyethylene pipe they purchase and effectively reduce the amount of superior PE piping used to replace antiquated cast iron and bare steel distribution pipelines. Therefore, we strongly believe the prohibition by PHMSA on the use of clean rework material should be repealed as soon as possible.

Recognize Spoolable Composites

There are several manufacturers in North America who produce spoolable reinforced plastic line pipe for oilfield and energy applications including the transport of multiphase fluids, hydrocarbon gases, hydrocarbon liquids, oilfield production chemicals, and non-potable water. These products consist of a liner with helically wrapped steel or nonmetallic reinforcing elements and an outer cover (jacket). The spoolable reinforced line pipe is capable of being spooled for storage, transport and installation.



This state-of-the-art technology is produced to American Petroleum Institute (API) Specification 15S “Spoolable Reinforced Plastic Line Pipe.”

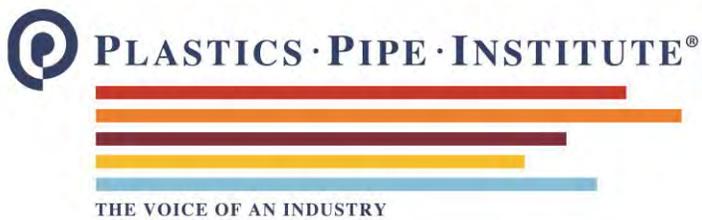
Plastic pipe is in high demand for oil and gas gathering systems where they safely transport fluids from an oil/gas well to the processing plant or interconnection to larger transmission pipelines. PPI estimates that more than 625 million pounds of PE and PA pipe, and more than 25 million feet of spoolable composite pipe are produced and distributed across the country every year for oil and gas production to construct some 14,000 miles of new gas gathering lines and 7,800 miles of oil gathering lines. The industry estimates approximately \$30 billion in investment will take place over the next two decades. It is also estimated that the shale oil & gas industry alone currently supports hundreds of thousands of jobs and will support well over one million jobs and generate more than \$930 billion in federal, state, and local tax and royalty revenues over the next 25 years.

PPI has petitioned PHMSA to allow the use of spoolable composite pipe systems in gas distribution, gas transmission, and oil and gas gathering systems regulated by federal pipeline safety regulations. While most gathering or disposal line applications are not currently regulated by PHMSA, use of spoolable composite pipe in these applications has grown rapidly, and operators are increasingly realizing multiple benefits. Many of these operators oversee systems that are subject to DOT regulatory requirements, or may following pending regulatory activity.

It is estimated that there are more than 40,000 miles of spoolable composite pipelines installed globally over the last 15 years, with the vast majority of these having been installed in United States oil and gas applications. In Canada, the use of spoolable composite pipelines for the oil and gas industry has been allowed and regulated since 2007.

Benefits of Spoolable Composite pipe

- **No corrosion** - Corrosion in steel pipelines is becoming a more common problem for many operators with even greater environmental and cost consequences. Spoolable composite pipe is immune from corrosion.
- **Rapid Installation** - Unlike conventional steel piping systems that are assembled at location from large quantities of straight lengths which must be short enough to fit on a truck bed (typically 40-50 ft.), spoolable composite pipe is manufactured in long lengths typically up to 5,000 ft. This results in rapid installation and completion. Typical gathering line installations of 3,000 – 5,000 ft. can easily be completed, tested, and placed in service in one day with less manpower and equipment than conventional pipelines resulting in lower costs and reduced time to first commercial production.
- **Improved Safety** - Spoolable coils are lightweight and since they are delivered on spooling frames, require little handling at the location. Also, fewer connections means less time spent in the ditch. Less handling and rapid installation helps to significantly reduce operator risk.
- **Few connections** - On lengths of up to 5,000 ft. there are often no connectors, and for longer lengths relatively few connections are required. Since connections are one of the most common sources of leaks, this significantly reduces the potential for these types of leaks.



- Improved Flow Characteristics - The inner thermoplastic layer has better flow characteristics than new steel pipe. This layer also does not deteriorate in service, retaining these flow characteristics for the life of the pipe, unlike steel where typically designers have to allow for degrading flow characteristics in service.
- Dynamic trenching - The flexible nature of the pipe allows greater ease of installation, especially in challenging environments, than other pipeline alternatives both in relation to straightness and flatness.
- Smaller Right of Way - Since the spoolable composite pipe does not have to be assembled in the trench, a much narrower ditch can be dug that is only slightly wider than the pipe being installed. This results in an overall narrower right of way required for installation, minimizing environmental impact and property use/acquisition.
- Remediation of Leaking Existing Pipelines - Spooled composite pipe, due to its axial tensile strength and continuous nature, is frequently pulled into existing pipelines as a rapid, low cost method for returning a line to full or even increased operating pressure. There is minimal ground or right of way disturbance, and no reliance on the structural integrity of the existing failed line, which is used only as a convenient conduit. Many miles of failed pipeline have been remediated and returned to full service by this technique.

Because of the significant benefits that come with use of spoolable composite pipes produced to API standards, PPI strongly encourages legislative and/or regulative action to recognize this superior piping in the pipeline safety regulations for regulated gas transmission, gas distribution, and oil and gas gathering applications.

President Trump, PPI fully supports your objective to grow jobs and boost the U.S. economy by employing North American manufacturing in the construction and maintenance of natural gas and oil pipelines. We certainly appreciate your consideration of these policy recommendations as your administration works with Congress on comprehensive legislation to begin to build, repair and rebuild America's energy infrastructure. The use of American made plastic pipe systems will be key to this success.

Sincerely,

Tony Radoszewski
President
Plastics Pipe Institute