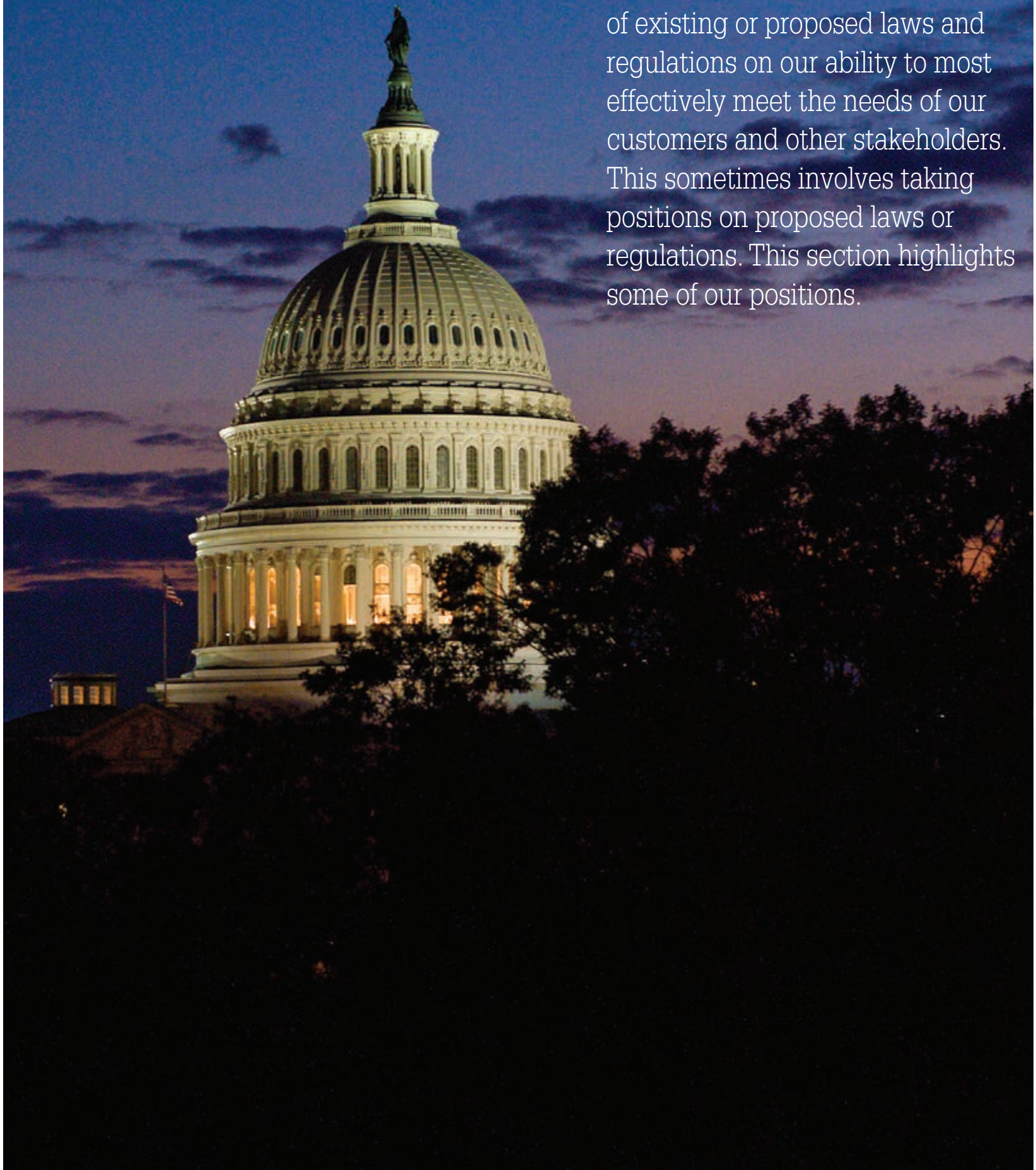


# ADVOCACY

MPC is in a heavily regulated industry, and we work with lawmakers and regulators at the federal, state and local levels to keep them apprised of the impact of existing or proposed laws and regulations on our ability to most effectively meet the needs of our customers and other stakeholders. This sometimes involves taking positions on proposed laws or regulations. This section highlights some of our positions.



**★ THE ISSUE:** Proposed repeal of the LIFO inventory accounting method

**BACKGROUND:** Last-In, First-Out (LIFO) is an accounting method that has been a recognized means of valuing inventory under the U.S. tax code since 1939. Under LIFO, the most recent inventory purchased is deemed to be used first. In times of rising prices, the LIFO accounting method results in better matching of costs and revenues, because cost of goods sold are valued at the current cost of replacing that inventory. MPC has consistently used the LIFO accounting method for decades to present our financial results and calculate our taxes. Retroactive LIFO repeal has been proposed by President Obama, and by chairmen of the tax-writing committees in the U.S. House and Senate. Comprehensive tax reform, which could include repeal of the LIFO accounting method, is not expected during 2014, but could be under consideration in future sessions of Congress.

**MPC'S POSITION:** We oppose repeal of the LIFO inventory accounting method.

**WHY WE TOOK THIS POSITION:** Retroactive LIFO repeal could result in a multibillion dollar tax penalty on industry. The proposal would require MPC and other companies like us to recalculate our inventory values and the resulting tax liability using a different accounting method, and then pay tax on the difference. This would be a retroactive imposition of a new tax liability.

For any company that has been using this accounting method for a number of years, LIFO repeal and subsequent recapture of tax would, in effect, impose an after-the-fact penalty for lawful accounting practices. It would be akin to repealing the mortgage interest deduction that homeowners receive, and then making them pay the taxes they had saved by legally deducting the interest in prior years. This is unfair, expensive and could significantly impact many manufacturers at a time when the country is looking to those companies to continue creating jobs.

**★ THE ISSUE:** Renewable Fuel Standard (RFS)

**BACKGROUND:** In 2007, Congress passed the Energy Independence and Security Act (EISA '07), which required increases in the volume of biofuels that refiners and others (called "obligated parties") must blend into the nation's fuel supply. This mandate organizes biofuels into four separate categories based on their greenhouse gas emissions. It also requires obligated parties to use renewable identification numbers (RINs) to demonstrate compliance with the standard. RINs are generated when biofuels are blended with gasoline and diesel transportation fuels, and can be used to demonstrate compliance with the mandate or traded independently.

Congress based EISA '07 volumetric requirements on projected growing demand for transportation fuels. However, the government's fuel demand estimates did not accurately predict the significant decrease in demand that resulted from reduced economic growth and increased Corporate Average Fuel Efficiency standards. It's also worth noting that ethanol is less fuel-efficient than petroleum transportation fuels. This means the mandated increase in fuel efficiency conflicts with the mandate to blend more of the less-efficient biofuel. The unintended consequence of the biofuels mandate is that the refining industry is burdened with an inflexible requirement to add more and more corn ethanol to a gasoline pool that has been steadily in decline.

In November 2013, the EPA acknowledged that the volumes of biofuel mandated under EISA '07 might exceed the 10 percent per gallon of ethanol that can be safely absorbed by the vehicle fleet in the U.S. This limit is called the "E-10 blendwall." As a result, the EPA proposed reduced mandated biofuels volumes. As of June 2014, that proposal was still not finalized.

In addition to the E-10 blendwall, another RFS problem is that three of the four types of biofuels (corn ethanol, biodiesel and sugar cane ethanol) are commercially available, while one of them (cellulosic ethanol) is still not available in

"I CAN ALWAYS COUNT ON MARATHON TO DO WHAT THEY SAY. MARATHON PETROLEUM HAS ALWAYS EXHIBITED ETHICS AND INTEGRITY IN OUR RELATIONSHIP OF ALMOST 50 YEARS. IT IS AN AMERICAN-BASED COMPANY THAT IS NOT ONLY PATRIOTIC, BUT ALSO SUPPORTIVE OF OUR AMERICAN SPIRIT, INCLUDING OUR HERITAGE AND VALUES AS A FREE SOCIETY."

**CHARLES KEY**  
Chairman of the Board, Keystops LLC  
Franklin, Ky.



# ADVOCACY



commercial quantities. Nonetheless, the EPA, which is responsible for enforcing the law, continues to require obligated parties to blend volumes of cellulosic ethanol that do not exist. Obligated parties – including MPC – face onerous fines under the Clean Air Act if they fail to blend the required volumes of total biofuels, or pay a fee as an alternative means of compliance for the cellulosic volumes.

**MPC'S POSITION:** We advocate repeal of the RFS.

**WHY WE TOOK THIS POSITION:** Despite the mandate reductions proposed by the EPA, which would apply only to 2014, the RFS provisions in EISA '07 are simply unworkable. In order to satisfy the demands of the Clean Air Act, the EPA requires MPC – and other obligated parties – to force more corn ethanol biofuel into gasoline transportation fuel than the vehicle fleet can safely absorb, and to blend cellulosic biofuels that do not exist. And we face significant fines if we do not comply with these requirements.

 **THE ISSUE:** Keystone XL pipeline construction

**BACKGROUND:** The Keystone XL pipeline is a \$5.3 billion project that could transport up to 830,000 bpd of crude oil from Canada and the northern U.S. to the oil trading hub of Cushing, Okla., and on to the U.S. coast of the Gulf of Mexico, where the majority of U.S. refining assets are located. Before Keystone XL can be built, the U.S. State Department must approve the project because it crosses the U.S. border with Canada. The State Department's Final Environmental Impact Statement, published in August 2011, concluded there would be no significant negative impact from the project. However, a few months later, the State Department announced that it would delay its decision on the pipeline.

On February 1, 2014, the State Department released its final supplemental environmental impact statement on the proposed Keystone XL pipeline and found no major climate change or security concerns. This was viewed as a positive development for the beleaguered project, since the administration indicated it would only be approved if it did not drive up greenhouse gas

“IN THE YEARS THAT WE HAVE BEEN WITH MARATHON, WE HAVE NEVER QUESTIONED THE ETHICS OR INTEGRITY OF THE ENTIRE STAFF, FROM THE TERRITORY MANAGER THROUGH THE LEADERSHIP TEAM... I CAN COUNT ON THE ENTIRE TEAM KEEPING THEIR WORD AND ACCOMPLISHING THEIR COMMITMENTS.”

**BRIAN BURROW**  
President, Campbell Oil  
Massillon, Ohio



emissions. The statement started a national interest determination process at the State Department that included a 30-day public comment period and 90-day period for at least eight other federal agencies to weigh in. But the review process set no deadline for the secretary of state to make a final recommendation to President Obama.

Congress has demonstrated strong support for approval of the pipeline project. Both chambers have submitted bipartisan letters of support for the pipeline project.

**MPC'S POSITION:** We support approval of the Keystone XL pipeline.

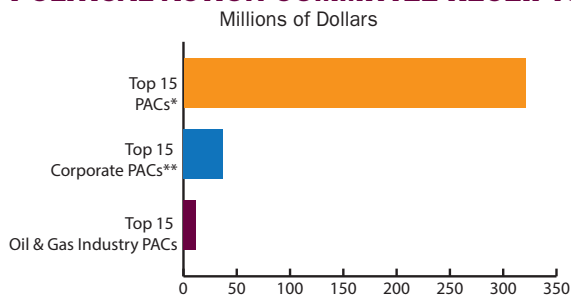
**WHY WE TOOK THIS POSITION:** Additional crude oil supplies from Canada – a stable, friendly neighbor that is the United States' largest trading partner – enhances our nation's energy security. Also, pipelines are by far the safest method of transporting crude oil, and the safety of modern pipelines is better than ever. Keystone XL's performance will be regulated by the federal Pipelines and Hazardous Materials Safety Administration, which requires rigorous safety protocols.

From an economic standpoint, an independent study found that construction of Keystone XL should provide significant, positive contributions to U.S. energy security and the U.S. economy valued at more than \$20 billion. The study further concluded that once the pipeline is operational, the states along the pipeline route are expected to receive an additional \$5.2 billion in property taxes during the estimated operating life of the pipeline. The pipeline project is expected to directly create more than 20,000 high-wage manufacturing and construction jobs across the U.S., stimulating significant additional economic activity.

## INDUSTRY POLITICAL CONTRIBUTIONS

Some advocacy groups are concerned about the fact that political action committees (PACs) are able to participate in the political process by contributing to political campaigns, enabling those running for elected office to fund their campaigns. The bar chart below shows the amounts raised by the top 15 PACs in the 2013-2014 election cycle, as of March 31, 2014, using Federal Election Commission data. Of the top 15 PACs, none is a corporate PAC. The combined receipts for the top 15 oil and gas industry PACs amount to about 3.5 percent of the top 15 PACs overall.

### POLITICAL ACTION COMMITTEE RECEIPTS



\*None of the top 15 PACs are corporate PACs.  
\*\*Only one of the Top 15 corporate PACs is an oil and gas industry PAC.

## TOP 15 POLITICAL ACTION COMMITTEES BY RECEIPTS

- 1. ActBlue:** Democrat leaning (\$103.8 million)
- 2. Service Employees International Union:** Labor union (\$38.4 million)
- 3. EMILY's List:** Democrat (\$26.3 million)
- 4. Senate Majority PAC:** Democrat (\$20.5 million)
- 5. Americans for Responsible Solutions:** Gun control (\$15.4 million)
- 6. National Rifle Association:** Gun rights (\$14.8 million)
- 7. House Majority PAC:** Democrat (\$13.1 million)
- 8. National Association of Realtors\*:** Real estate agents (\$13 million)
- 9. American Federation of Teachers:** Labor union (\$12.4 million)
- 10. American Federation of State, County and Municipal Employees:** Labor union (\$11.7 million)
- 11. Plumbers and Pipefitters:** Labor union (\$11.6 million)
- 12. Senate Conservatives Fund:** Republican leaning (\$10.3 million)
- 13. International Brotherhood of Electrical Workers:** Labor union (\$10 million)
- 14. Teamsters:** Labor union (\$9.7 million)
- 15. NextGen Climate Action:** Climate change advocacy (\$9.5 million)

Additional information regarding our lobbying and political activity is available on our website:  
[http://www.marathonpetroleum.com/Corporate\\_Citizenship/Political\\_Engagement/](http://www.marathonpetroleum.com/Corporate_Citizenship/Political_Engagement/)