TESTIMONY BEFORE THE HOUSE VETERAN'S AFFAIRS & EMERGENCY PREPAREDNESS COMMITTEE BY JOHN PICKERING, S.V.P. MANUFACTURING, SUNOCO, INC.

Members of the committee, thank you for inviting me to appear before you to explain the emergency response ramifications of Sunoco's decision to exit the refining business, and in particular, our idling of the Marcus Hook refinery. Sunoco has always taken our safety and environmental responsibilities seriously and we will continue to ensure that our emergency response capabilities are maintained as we complete the idling of the Marcus Hook refinery.

To begin, let me recap the reasons behind our decision to exit the refining business. Sunoco has experienced significant losses in the northeast refineries for the past several years. Since 2009, we have lost over $800 Million in refining. Losses of this magnitude are not sustainable and if allowed to continue, threaten the very existence of company and the livelihood of all 7,000 people employed by Sunoco. It is our opinion that the factors leading to the losses in the northeast refineries will remain for the foreseeable future. These factors include:

- More stringent environmental standards that require considerable capital investment and increase the ongoing costs to refine crude oil.

- Decreased demand for petroleum products due to consumers switching from oil to gas, government mandates for renewable fuels, and the impact of the economic downturn.

- Expansions and new refinery construction projects initiated several years ago are coming on line and adding to the surplus of worldwide refining capacity.

- The high cost of the premium light sweet crudes that Sunoco refineries process make us non-competitive.

As a result of the non-competitiveness of our northeast refineries, on September 6, 2011 we announced our decision to either sell or shutdown the refineries by July 1, 2012. Since that announcement was made, the market deteriorated further, and losses of over $1 Million per day required us to idle the major processing units at the Marcus Hook Refinery beginning on December 1, 2011.

Our manufacturing facilities are covered by a variety of Federal, State and Local regulations, which prescribe how we must plan for, implement and conduct emergency response activities. For example, we are covered by OPA 90, SARA, RCRA, EPCRA, MTSA, CERCLA and SPCC, to name just a few of the regulations under which we operate. We maintain risk management plans, facility response plans, and spill response plans and we have policies, procedures and personnel in place to support those plans.

Our Emergency Response programs are reviewed and updated on an annual basis, or more often if required. Our programs provide the essential planning and training for protecting employees, the public, and the environment during emergency situations. Contained in the programs are written procedures that outline the actions to be taken for various types of emergencies that could occur in the refinery. These emergencies include: airborne releases of chemical substances, spills to the water or ground, fires, explosions, personnel rescue incidents and medical emergencies. The programs address all aspects of emergency response including:

* Information on the plant emergency organization (Incident Command System)
* Information on the roles and responsibilities of personnel responding to the incident
* Procedures for notifying employees that a release has occurred
* Procedures for plant evacuation and accounting of personnel
* Procedures to notify local emergency response organizations and other appropriate authorities that a release has occurred
* Guidance on proper first aid and medical treatment for exposures
* Procedures for post incident cleanup and decontamination

Since the announcement of our exit from refining, we have been developing and implementing plans to idle our facilities in a safe and environmentally responsible manner in the event it became necessary to do so. We leveraged our experience in closing our Eagle Point, New Jersey in developing and implementing our idling plan for Marcus Hook. We are in the process of executing the plan for Marcus Hook, which includes:

- Cold shutdown of major process units, which includes the removal of hydrocarbons, hazardous materials and chemicals such as sulfuric acid
- Minimizing the inventory of hydrocarbons stored on site
- Preserving equipment in such a way that it can be restarted in the event a sale of the facility occurs

There are some operations that will continue for an interim period until the disposition of the Marcus Hook facility is determined. This includes unloading railcars for Braskem and Rhodia and operating two propylene splitter towers to supply Braskem with propylene. Race fuel manufacturing, docks, selected finished product tanks, and underground caverns will also remain active in order to support Marketing and our Philadelphia refinery. However, these interim operations constitute a small fraction of the activities that take place in a fully operating facility. As such, our emergency response plans must be amended to reflect the reduced activity level and the lesser degree of risk it represents.

Therefore, we have been working diligently to complete an updated risk analysis of our facilities, so that we may submit amended emergency response plans to the regulatory agencies and ensure that we maintain an appropriate level of emergency response capability, given the reduced level of activity and risk which will exist at the Marcus Hook facility.

To further this effort, on December 15th, 2011 we met with officials from the Pennsylvania Department of Environmental Protection, including Assistant Regional Director Kennedy, to discuss the environmental permit and regulatory implications of the idling of the Marcus Hook refinery. The discussion was to ensure that PADEP understood the current and expected future operations and activities at the refinery and to offer our assurance that Sunoco was implementing plans and maintaining resources to maintain regulatory compliance. At that meeting, PADEP officials raised no objections to or significant concerns with Sunoco's plans, but did provide Sunoco with helpful guidance on our current and future compliance requirements. We will continue to work closely with PADEP, the Local Emergency Planning Committee, the Delaware County Office of Emergency Management and other appropriate agencies to ensure that our response plans are well thought out and carefully implemented to protect the public, our employees and our assets.

In closing, I would like to stress that we currently maintain the same level of emergency response capability that existed before our announcement of the idling of the facility. Our plan is to keep that level of response capability in place until we have completed our updated risk analysis and we have determined what new level of response capability is appropriate under the circumstances. And now I will be happy to try to answer any questions you might have for me.

CAPSULE BIO – JOHN PICKERING, SVP OF MANUFACTURING, SUNOCO, INC.

John Pickering graduated from University of Delaware in 1977 with a Bachelor of Science Degree in chemical engineering and began working for Mobil Oil, holding a variety of positions in engineering, operations, refining optimization and financial analysis at various locations in the United States. He went to work for Valero in 2006, where he became vice president and general manager of Valero's refineries in Paulsboro, New Jersey and Delaware City, Delaware. John joined Sunoco in early 2010 as vice president of crude supply and optimization. He was named Sunoco's senior vice president of manufacturing in May 2011. In this role, he is responsible for managing the company's manufacturing facilities, including Sunoco's refineries in Philadelphia and Marcus Hook, Pa., which have a combined crude oil processing capacity of 505,000 barrels per day.