INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION

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February 12, 2010

Hon. Steve Owens
Office of Prevention, Pesticides and Toxic Substances
U.S. Environmental Protection Agency
Ariel Rios Building (Mail Code 7101M)
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Assistant Administrator Owens:

The Independent Lubricant Manufacturers Association (ILMA) recently has become aware that the U.S. Environmental Protection Agency (EPA or Agency) is considering taking compliance actions pursuant to the Toxic Substances Control Act (TSCA) that might prohibit or otherwise limit the manufacture and import of certain chlorinated paraffins (CPs). ILMA members are not manufacturers or importers of CPs; however, they process, distribute and use CPs in metalworking fluids (MWFs) and other lubricant products. ILMA members would be significantly and adversely impacted by actions EPA might take that disrupt the continued supply of CPs to ILMA members and their ability to use and distribute products which contain CPs.

CPs are a critical component in extreme-pressure MWFs, which are used in a number of essential manufacturing sectors. ILMA is not aware of any readily-available alternatives that provide the necessary performance characteristics for these fluids. Consequently, any near-term disruption in CP supplies will translate into immediate economic harm for ILMA members, and it will have significant impacts on the U.S. economy.

Accordingly, ILMA requests that EPA affirmatively provide a "no action assurance" to ILMA on behalf of its members that they will not be found in violation of TSCA if ILMA members continue to accept shipments of CPs and process, use and distribute CP-containing products during the period when the Agency is negotiating with manufacturers and importers of CPs concerning the regulatory status of such substances.

Introduction of ILMA

ILMA is a national trade association of 135 manufacturing member companies, the majority of which are small businesses. As a group,

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ILMA member companies blend, compound and sell over 25 percent of the United States' lubricant needs and over 75 percent of the MWFs utilized in the country. Some ILMA members have indicated that CP-containing products constitute as much as 50% of their MWF sales. Independent lubricant manufacturers are not manufacturers of CPs for purposes of TSCA.

Independent lubricant manufacturers by definition are neither owned nor controlled by companies that explore for or refine crude oil to produce lubricant base stocks or that produce chemical additives. Base oils are purchased from refiners, who also are competitors in the sale of finished products. Additives are purchased from chemical suppliers, who also may be competitors in the sale of finished products. ILMA members succeed by processing, producing, and distributing high-quality, often specialized, lubricants. Their success in this competitive market also is directly attributable to their tradition of providing excellent, individualized service to their customers.

Current Uses of Chlorinated Paraffins in ILMA Members' Products

CPs are used in water-soluble metal-removal fluids, drawing/stamping compounds, vanishing fluids, and other straight oil MWFs. CPs may range from less than 1% to over 50% in finished MWFs, and they are widely viewed as a highly cost-effective and technologically-superior source of extreme-pressure additives used in MWFs for heavy-duty drawing, stamping and cutting applications.

CP-based MWFs play an essential role in the manufacture of a wide range of metal parts for critical industries, including aerospace, automotive, manufacturing, and defense. These fluids allow for the cutting, grinding, and machining of parts with a high degree of precision that is necessary for such applications. Fluid formulations are developed in concert with equipment manufacturers to ensure optimum performance and cannot be changed easily. Fluid changes can result in the need to redesign the metalworking equipment and/or the entire production line for the finished product. Such an effort can take years for complex manufactured items, such as aircraft and automobiles, where each part is closely evaluated to meet rigid specifications.

An Interruption to the Supply of CPs Would Have a Corresponding and Significant Detrimental Impact on ILMA Members and Their Customers

As noted above, ILMA recently learned that, in addition to EPA's evaluation of CPs through the new Chemical Action Plan (CAP) initiative, the Agency has also undertaken efforts to clarify the appropriate nomenclature that EPA intends to use to describe CPs and the TSCA Inventory status of substances using such EPA-preferred descriptions. Some ILMA members have been advised by their suppliers that EPA's efforts in this regard may result in delays or missed CP shipments during the Agency's review. Such delays or missed shipments will have significant, negative impact both on ILMA members' ability to formulate MWFs and on the users of MWFs who manufacture critical parts for a wide range of industries. ILMA members' customers would have to stop making

parts which are key components in hardware used in critical industries, including the automotive, aerospace and defense sectors of the U.S. economy. The economic impact of interruptions in supplies of CPs and their derivatives would be significant, and would affect a large number of companies, many of whom are still attempting to recover from the current recession. This action also would impact Department of Defense (DOD) subcontractors, who would have to shut down their operations for lack of approved alternatives. Such a shutdown would have an adverse impact on the United States' ongoing military operations in Afghanistan and Iraq.

CP-containing products are utilized in the automotive and truck manufacturing marketplace for extreme drawing, stamping, fine blanking and cutting work. Because of the extreme-pressure properties and film strength provided by CPs, automotive-related fine blanking operations cannot be performed without CPs. If CP supplies are interrupted for any significant period of time, the fine blanking operations will have to move offshore.

Another critical use for CPs is in the centerless grinding of bolts and fasteners for the aircraft industry. The typical grinding oil contains between 1% and 10% CP. These components go into aircraft and jet engines. The U.S. fastener industry makes approximately 75% of the total volume of bolts and fasteners, and these parts are critical components in commercial aircraft worldwide. There are no effective substitutes for CPs in this application.

ILMA members report that there are no commercially-acceptable substitutes for CPs formulated in lubricants that are used to draw tubing, wire, rod and bar products fabricated from high nickel-chrome, nickel-chrome-cobalt, or nickel-chrome-cobalt-molybdenum alloys or beryllium-based metals. All of these metals are used in critical DOD applications, such as aerospace (e.g., jet engine components; hydraulic, brake and fuel supply systems) and nuclear applications (e.g., boiler tubing and fuel rod supply tubing). Replacing the CPs currently used in the formulations for these critical forming and drawing operations will require intensive and expensive tests of alternative materials before they could be used to fabricate parts used on jet engines or in boilers or high-pressure reactors.

In addition, some ILMA members sell CP-containing products for use in medical applications, such as manufacturing wire used in pacemaker cable and tubing used to make catheters and heart stents. CPs are used in these formulations because no other extreme-pressure agents can be used as effectively to draw the wire or tubing. These products have been tested in the laboratory and "in body" for a number of years. Understandably, ILMA customers who manufacture such products cannot change to other formulations without first performing extensive laboratory and "in body" testing.

Non-Chlorinated Alternatives are not a Simple Answer

Current users of CPs cannot readily switch to non-chlorinated alternatives. In forming operations, the substitutions are not as effective in many heavier-duty operations, and the

replacement technology is much more expensive. For example, many ILMA members use a combination of phosphorous and ester technology to provide a chlorine-free product. However, phosphorous can promote bacterial/fungal growth and ester-based products tend to thicken over time. For the customer, this translates to increased biocide/fungicide use and reduced shelf life, in addition to a higher price for the MWFs. Thus, ILMA members have indicated, from experiences in trying to remove chlorine from MWFs, that it is easier to replace CPs in metal removal operations than in metal forming operations.

ILMA members' experiences are that the conversion from CP-containing MWFs to non-chlorine alternatives is a difficult, expensive and lengthy process. For example, conversion from a CP-containing stamping fluid would require the user to modify its overall process to accommodate the new material, including expensive retooling. At many companies, this is a multiple-month exercise, during which time they will be unable to manufacture parts. One ILMA member reports that it has been working for over two years on research and development necessary to replace chlorine in products supplied to a particular client. Rust and corrosion problems have delayed the effort. One product that used to contain 32% chlorine has gone from $11.50 per gallon to $18.80 per gallon. However, the ILMA member reports that the more profound impact on the customer is not the additional costs associated with a replacement formulation of MWF, but rather the impact of such alternatives on tooling/die life and steel costs. For example, if a company spends $5 million a year on dies, a 10% reduction in tool life would cost an additional $500,000 a year.

Replacing CP in grinding fluids will take at least two years if not longer to requalify the thousands of parts processed using these fluids with the Federal Aviation Administration, the U.S. Military, Boeing, Airbus, General Electric, Pratt & Whitney and others users. Any disruption in the availability of CP-containing grinding fluids could effectively shut down aircraft manufacturing in the United States and Europe.

If interruptions in the supply to processors of CPs were to occur and become permanent, and if ILMA members thereby are forced to reformulate their MWFs, the tooling cost to their customers will go up as they will be required to retool and purchase tools that are more expensive to compensate for what CPs do — that is, provide a low-temperature, extreme pressure additive. During the conversion process when substitutes are identified and commercialized, scrap rates will increase and production will suffer.

CPs Should Remain in Commerce Pending Resolution of Nomenclature and Inventory Status Issues with Manufacturers

Given both the critical nature of CPs in IMLA members' products, such as MWFs, and the important role that these fluids have in manufacturing key parts for a wide range of major industries, ILMA reiterates its request for a no-action determination from the Agency which would permit ILMA members who are not manufacturers to continue to receive shipments of CPs and to process, use and distribute products containing CPs during the time that EPA and manufacturers of CPs address and resolve any TSCA nomenclature

and other regulatory issues. Any near-term disruption in the supply of CPs and in CP processing, use and distribution activities will have significant adverse impacts on U.S. industry at a time when the Obama Administration is emphasizing job creation in the U.S. and restoring the competitiveness of the automotive industry and other sectors of the economy. We specifically request that EPA provide an affirmative and timely response so that ILMA's members, their downstream customers and the users of key components manufactured using CP-containing MWFs and lubricants will be able to avoid these devastating impacts.

Conclusion

ILMA appreciates this opportunity to submit these comments on the importance of CP-containing MWFs and lubricants to our country's economy. If the Agency needs additional information or has questions concerning this letter, please contact ILMA's counsel, Jeffrey Leiter (jll@leitercramer.com or (202) 386-7670) or Adam Cramer (abc@leitercramer.com or (202) 386-7671).

Sincerely,

Celeste Powers

Celeste M. Powers, CAE
Executive Director

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1. EPA memoranda describe "no action assurances" as grants of enforcement discretion.

2. ILMA estimates that alternatives to CP-containing MWFs are generally 1.5 times the cost of the CP-containing materials.