AFPM
American
Fuel & Petrochemical
Manufacturers

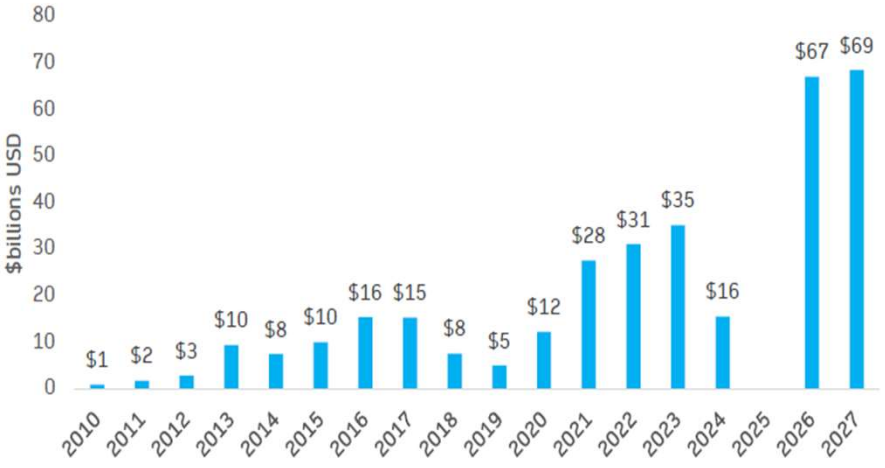
Proposed RFS Set 2 / SRE Reallocation

Executive Order 12866 Meeting
September 15, 2025

Key Takeaways

1. Full reallocation of SREs into 2026 and 2027 mandates will increase compliance costs (and fuel prices) as much as **$3-9 billion each year** (on top of ~$70B/year for the base proposal)
2. Reallocating half of exempted 2023-25 RINs would cut costs by 50%, but still leaves **$1.5-4.5 billion in annual costs**
3. Sufficient domestic feedstock does not exist for the base proposal, much less supplemental volumes, meaning **more imports would be required**
4. The **market can not retroactively blend biofuels**
5. Increased mandates and **RIN prices will not drive additional ethanol consumption**
6. Post-2022, EPA is not required to hit specific statutory targets, **reallocation is not legally required** under any circumstance
7. This is likely a significant rulemaking

Most Expensive RFS Compliance Costs Since Program's Inception



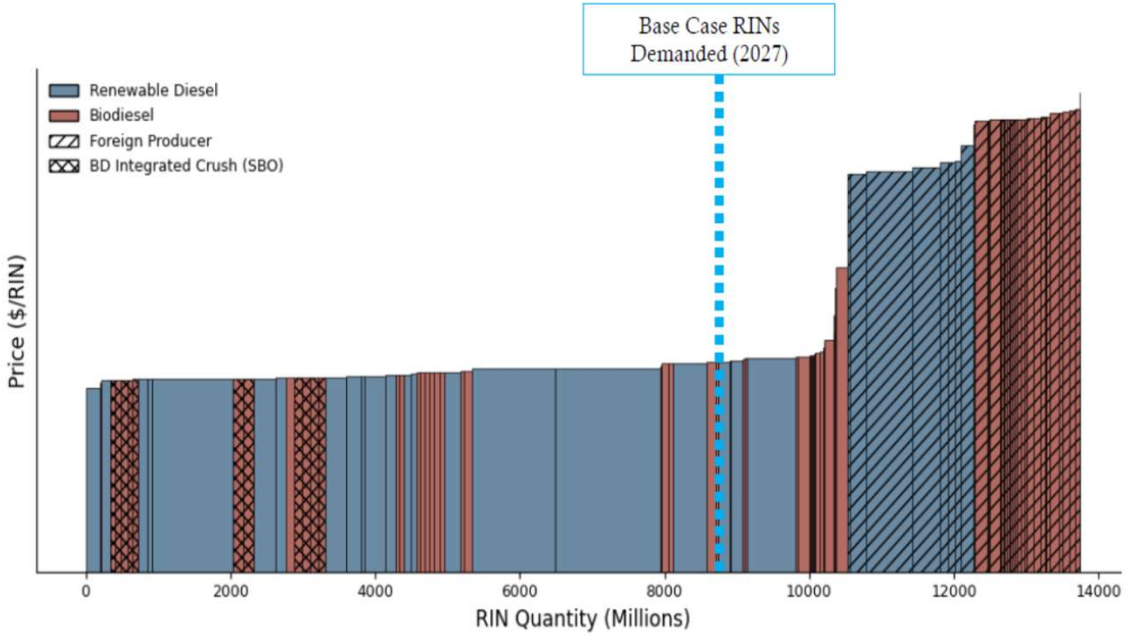
Annual RVO compliance cost history based on TM&C Analysis. 2025 cost cannot be determined until year-end.

- Turner Mason estimates that full SRE reallocation will increase compliance costs by as much as **$3-9 billion in 2026 and 2027 on top of the $67-69 billion for the base proposal**.
- Why?
  - EPA set the implied conventional (D6 RIN) at 15 billion gallons, despite knowing that amount cannot be blended into the gasoline pool
  - EPA relies on expensive Advanced (D4/5 RINs) volumes to make up the difference
  - Consequently, the D6 RIN price converges with the higher D4/5 RIN price, dramatically raising compliance costs for full program
- Much of this cost is borne by consumers, some by refiners.

Reallocating Fewer Exemptions Will Still Impose Significant Costs

The BBD supply curve is relatively flat in this volume range. This flatness results in a linear relationship between reallocation volume changes and compliance cost changes.

Even a 50% reduction in reallocation volume would result in a substantial compliance cost ranging from $1.5 billion to $4.5 billion per year. These costs arise from acquiring RINs and the additional cost to blenders above the price of standard diesel, reflecting the incremental costs of the volume mandates and reallocations affecting obligated parties.

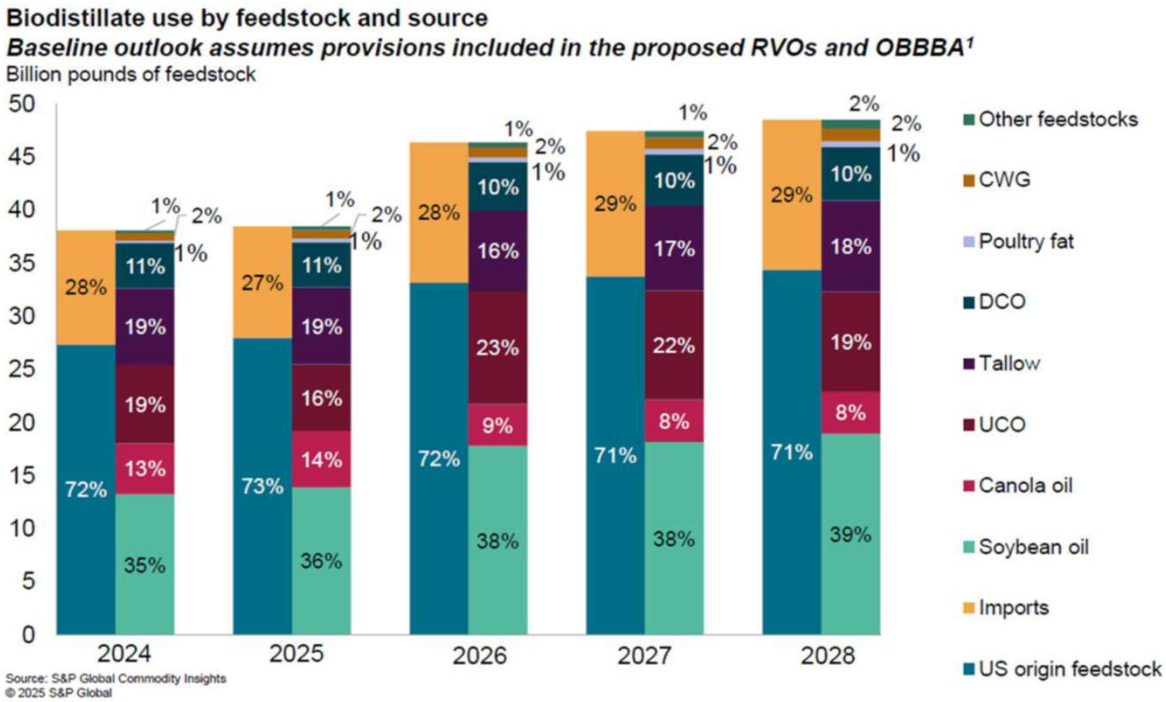


Source: TM&C Analysis (included in AFPM's comments to the proposed 2026-27 RFS volume rule)

The Proposed Mandates Require More Imports

- Despite declining 2025 Advanced RIN generation, the June 2025 proposal increases the 2026 BBD volumes by 61%
  - EPA claims additional volumes will be produced from *domestic* fuels and feedstocks
  - An updated S&P feedstock analysis confirms feedstock imports need to increase from 11 to 14 billion pounds between 2024 and 2027 to meet proposed volumes
- Reallocated volumes will further *increase* dependence on imports

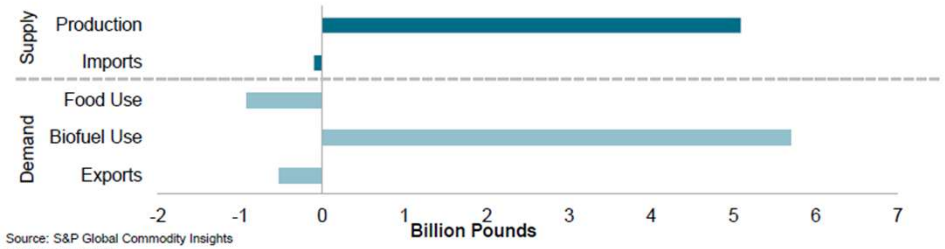
Solution: Set volumes based on North American feedstock availability and full RIN credit for imported feedstocks



The Proposal Has, and Reallocation Will Further, Increase Feedstock Prices

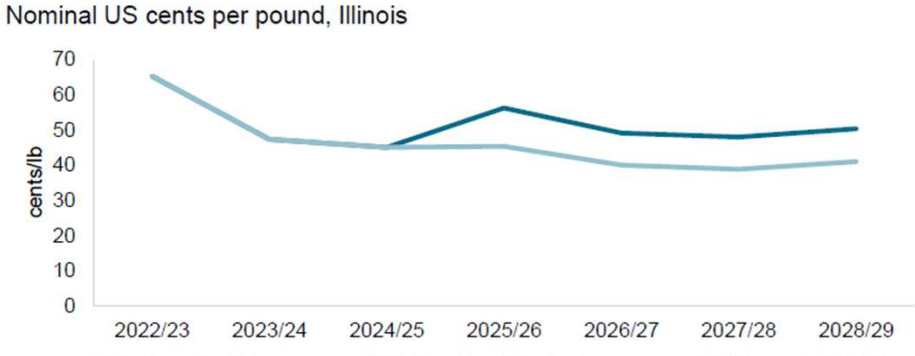
Soybean oil (SBO) prices rose after publication of the proposal. Projected SBO demand for biofuel will keep SBO prices higher than the baseline, impacting food production costs.

Projected SBO Supply and Demand



Source: S&P Global Commodity Insights

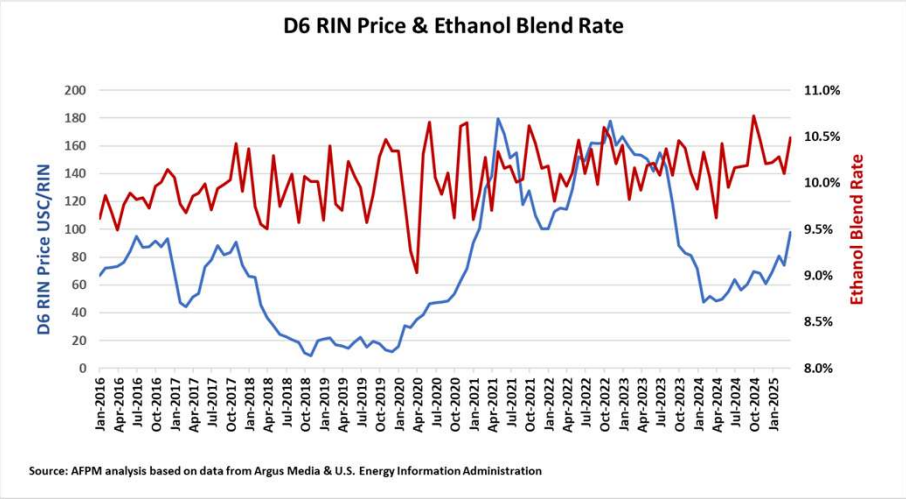
SBO Baseline Price

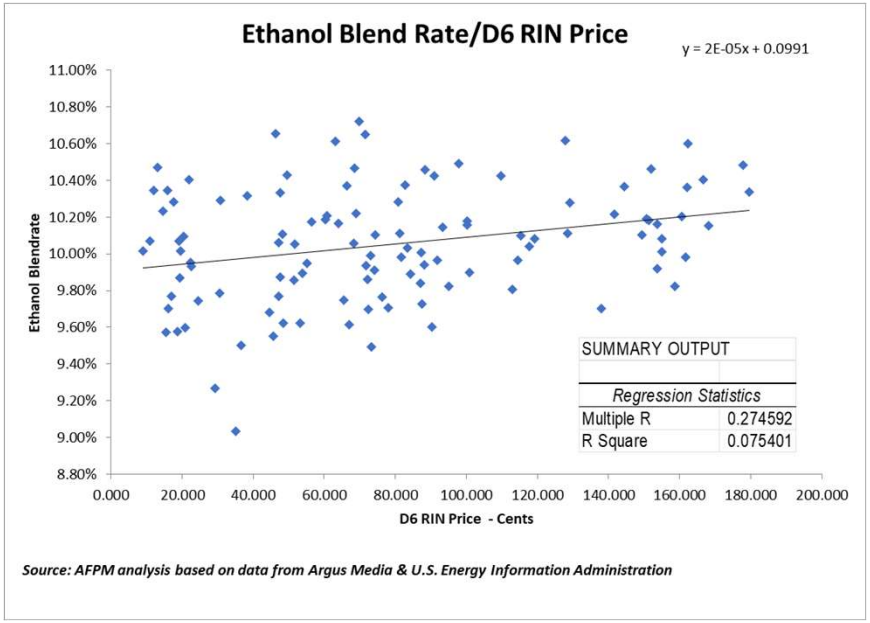


Source: S&P Global Commodity Insights

The Proposal Will Not Increase Ethanol Blending

There is no correlation between D6 RIN price and the rate of ethanol blending





Proposed rule implies **~$770 per gallon** of ethanol consumed as E15 or higher (using EPA ethanol forecast and TMC cost data)

Reallocation Is Not Legally Required

What the RFS requires after 2022:

1. Volumes informed by the review of the program's implementation and analysis based on 6 factors (CAA § 211(o)(2)(B)(ii))
2. Advanced biofuel volume at least same applicable percentage of total renewable fuel as CY2022 (CAA § 211(o)(2)(B)(iii))
3. Cellulosic biofuel target must be made on assumption it will not require a waiver (CAA § 211(o)(2)(b)(iv))
4. Minimum 1 billion gallons of BBD (CAA § 211(o)(2)(b)(v))

Things not required: SRE reallocation, 15 billion gallons of implied conventional, year over year mandate increases, or anything more than 1 billion gallons of BBD.

Any Proposal to Reallocate the 2023 and Later Small Refinery Exemption Volumes is a Significant Economic Rulemaking

- Full reallocation of 2023 - 2025 exempt volumes to 2026 and 2027 would increase RINs demanded by ~2.2 billion
- Turner Mason & Company estimates that full reallocation of those volumes could increase compliance costs from $3 to $9 billion, well above the $200 million threshold of economic significance in EO 12866, Sec. 3(f)(1)

OMB Must Ensure Compliance with Circular No. A-4

Need for Regulation

- Identify problem
- Significance of problem
- How the proposal resolves the problem

Potential Alternative Regulatory Approaches

- Proposed reallocation
- No reallocation
- An option that would lower the cost of the proposal
- Varying compliance timeframes

Detailed Assessment of the Likely Benefits and Costs

- Monetized benefits, costs, and net benefits
- Impact on imports
- Source and timing of benefits

There is a Better Way

AFPM's Preferred Approach

1. Set the implied conventional at blendwall
2. Base advanced volumes on availability of North American feedstocks
3. Foreign fuel and feedstock get full RIN
4. No SRE reallocation

AFPM Suggested Approach = 68% cost reduction

RVOs	AFPM Proposed Volumes (EPA Proposal)	
	2026	2027
Cellulosic Biofuel	1.30 (1.30)	1.36 (1.36)
Biomass Based Diesel	6.63 (7.12)	6.71 (7.50)
Advanced Biofuel	8.51 (9.02)	8.67 (9.46)
Total Renewable Fuel	22.37 (24.02)	22.47 (24.46)
Implied Conventional	13.86 (15.00)	13.81 (15.00)