



STOP THE RINSANITY

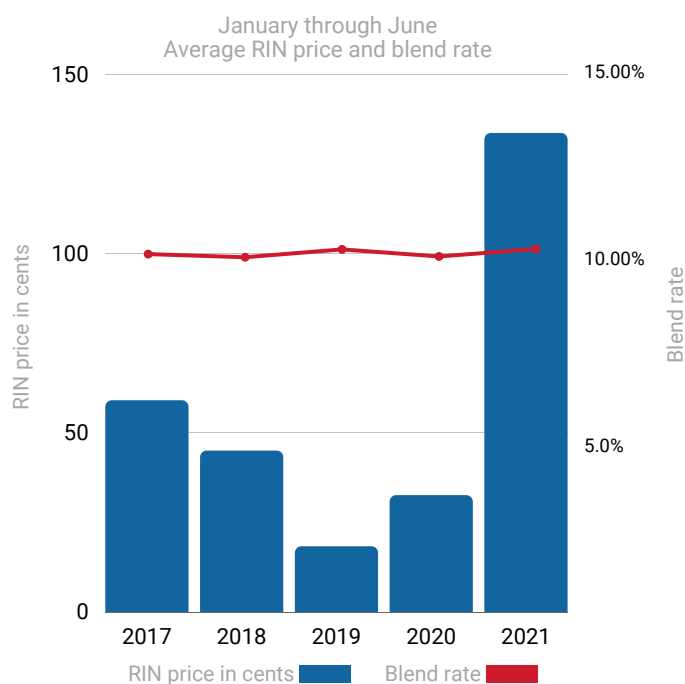
The Unsustainable, Unpredictable and Unproductive Compliance Scheme of EPA's Renewable Fuel Standard

The Renewable Fuel Standard (RFS) is a federal mandate that requires transportation fuel sold in the U.S. to contain a minimum volume of renewable fuels at levels set by the Environmental Protection Agency (EPA). EPA regulates RFS compliance through credits called Renewable Identification Numbers or "RINs."

RINs become available when biofuel is physically blended, and they can be sold or traded without regulation. Because many U.S. independent refiners do not have the capacity to physically blend biofuel on site, they are forced to purchase RINs to demonstrate compliance under the RFS. This RINs-based compliance scheme has created a secondary market for RIN trading that enriches Big Oil and speculative traders, all of whom profit from soaring RIN prices as U.S. independent refiners succumb to the unsustainable, unpredictable, and unproductive compliance costs.

Instead of increasing the amount of renewable fuel blended into our nation's fuel supply, the **"RINSanity"** of the federal biofuel mandate is threatening to close more independent refineries—putting tens of thousands of jobs at risk, along with the economic recovery and our nation's supply chain security. Eight refineries have closed or announced closure just in the last two years.

Adding insult to injury, higher RINs prices do not lead to higher ethanol blend rates. As the below chart demonstrates, ethanol is blended into our nation's fuel supply at a consistent rate regardless of the price of RINs, while the **"RINSanity"** of the federal biofuel mandate has sparked a massive increase in biofuel imports over the last decade.



Sources: U.S. Energy Information Administration for the blend rate, Oil Price Information Service (OPIS) for the RIN price

Evidence shows RINs prices do not result in higher ethanol blending.

Rising RIN costs do nothing to increase the amount of ethanol blended into gasoline. In fact, RIN prices climbed nearly 2000 percent over the last two years, reaching nearly \$2, but the percentage of ethanol blended into gasoline is the same through the first half of the year as it was over the same period in 2019, when RINs averaged 18 cents.

To curb volatility when the costs of RINs spiral out of control, EPA should allow refiners to buy fixed-price government RINs. This would lower the cost on refiners without resulting in lower ethanol blend rates.

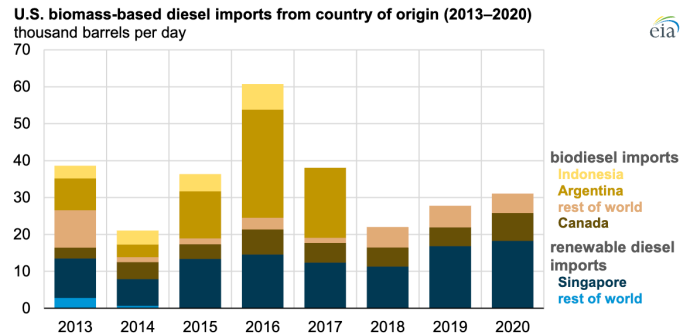


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As ethanol blend rates stagnate, higher RIN prices mean higher biofuel imports. In fact, the federal mandate has effectively become a de facto foreign biofuel mandate.

Engine and vehicle compatibility constraints limit the amount of ethanol that can be physically blended into the fuel supply. Given these limitations, as RINs have increased dramatically since 2013, refiners are forced to over-comply with the “advanced biofuel” part of the mandate – which requires a certain amount of biofuel and renewable diesel to be mixed into the fuel supply – to meet the ethanol requirement.



Source: U.S. Energy Information Administration

However, domestic producers do not make enough biofuel and renewable diesel to meet the “advanced” mandate, let alone enough more for the ethanol requirement. As a result, refiners are forced to import hundreds of millions of gallons of foreign bio and renewable diesel annually to meet part of the ethanol mandate. This is a perfect example of how RINs are decoupled from economic reality and even the energy independence objectives of the RFS.

Simply put, EPA should reduce the “advanced biofuel” requirement to a level more reflective of actual domestic production. And to add significant liquidity to the RINs program, EPA should also clarify that all biofuels manufactured in and exported from the U.S. can generate RINs that can be used for RFS compliance.

The Renewable Fuel Standard was initially designed to decrease U.S. imports of foreign fuel and enhance our nation’s energy security at a time when the U.S. was reliant on foreign oil. But today, the numbers show that ethanol blending rates remain flat, while RINs and foreign biofuel imports increase—undermining our nation’s energy independence, while putting our jobs, our economy and our security at risk.

EPA can and must take action today to address the unsustainable, unpredictable and unproductive “RINsanity” at the heart of the federal Renewable Fuel Standard.