**D6 Government RIN**

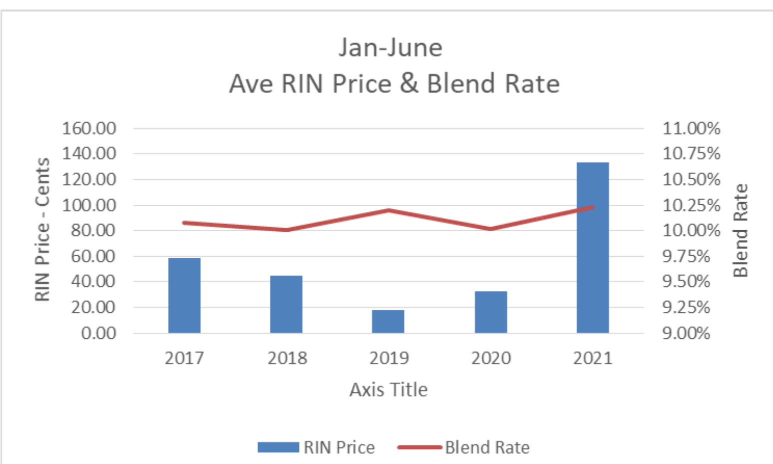
*Concept:* EPA could create and make available for sale to obligated parties a "government RIN" to use for compliance with the conventional ethanol mandate, or the D6 pool. In other words, the government could make and sell RINs to obligated parties at a low, fixed price that they could use for D6 compliance if they are unable to obtain RINs cost effectively in the marketplace. Refiners would have the option of obtaining a RIN through blending, buying it off the market, or buying the "government RIN." The government RIN will be available at all times with no restriction on the number of credits.

*Background & Justification:* The statute currently leaves EPA significant leeway to administer an RFS credit program[1] and even requires EPA to offer a "waiver credit" for cellulosic biofuel (D3) RINs when it reduces the volume requirements from those written in the law due to insufficient cellulosic production.[2] Since cellulosic biofuel has not materialized in volumes anywhere near those in the statute, EPA has reduced the cellulosic requirement and offered this "waiver credit" for sale every year since the expansion of the program in 2007. Refiners can obtain a RIN associated with a physical D3 eligible biofuel on the market, or buy the "waiver credit" from the government for compliance.

Given the statute and precedent associated with the D3 waiver credit, the creation of a low priced D6 government RIN is sound policy that will prevent harm to refiners without hampering the RFS program objectives. As with the D3 experience, the market will likely price D6 RINs associated with physical ethanol gallons slightly below the waiver credit price, particularly since there is little cost for biofuel blending, to incentivize biofuel blending over waiver credit purchases.

It is important to note that a controlled RIN price will not result in a reduction, or "backsliding," of the amount of ethanol blended into the fuel supply. Refiners do not primarily make finished gasoline anymore. They make "Blendstock for Oxygenate Blending" or "BOBs" that must be mixed with ethanol to gain octane and become finished gasoline further down the supply chain from the refinery.

Recent history of the RFS program shows there is no relationship between the RIN price and ethanol blend rate, as the following chart indicates:




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

[1] See Clean Air Act (CAA) Section 211(o)(5), which states the regulations "shall provide for the appropriate amount of credits," and ensure, "the generation of an appropriate amount of credits…."
[2] CAA Section 211(o)(7)(D)(ii)

U.S. Department of Energy (DOE) Energy Information Administration (EIA) data confirms the ethanol blend rate for each of the years 2019 and 2020 was 10.2 percent and is the same thus far in 2021, despite RINs averaging below 20 cents in 2019 and increasing nearly 2000 percent since January of 2020.[3]

Additionally, recent data indicates the RFS is not resulting in the generation of the appropriate amount of credits, as required by the statute. EPA noted there was a 400 million drawdown from the "RIN bank" in 2019. EIA noted there was an 800 million deficit in RIN generation compared to the RVO requirement last year, and a market assuming a flat RVO this year is on track to generate at least a 1.3 billion RIN generation deficit. This evidence proves the current structure of the RFS is failing to meet the statutory objectives.[4]

*Waiver Credit Price & Benefits:* Since there is no correlation between RIN price and ethanol blending, there is no reason for the price to be higher than 10 cents. Such a cost would be manageable for all refiners, without putting upward pressure on consumer gasoline costs.

The waiver credits offers the following benefits:

- Prevents speculators from trying to game the market.
- Prevents hoarding to drive up RIN prices.
- Prevents refining job losses by controlling RIN costs.
- Incentivizes more biofuel blending, since the only way to make money on RINs is to obtain a greater volume of them. RIN-long parties, or RIN separators that are not obligated, will NOT be incentivized to profit from a lower volume, higher price RIN strategy, as is the case under the current system.

*Potential Biofuel Sector Benefits:* Any government revenue from D6 waiver credit purchases could be directed towards grants for renewable fuel infrastructure (e.g. USDA Biofuels Infrastructure Partnership program: https://www.fsa.usda.gov/programs-and-services/energy-programs/bip/index).

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[3] https://www.eia.gov/outlooks/steo/pdf/steo_full.pdf

[4] See "RFS Merchant Refining Impact" attachment.