

RIN System and Fuel Specifications

Public Meeting of the Biomass
Research and Development Technical
Advisory Committee

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Topics Covered

- RIN System
 - Tax credits?
 - Update on TX waiver
 - Update on RFS



Renewable Fuel Tax Credits

- How is ethanol tracked to get tax credits?
 - RFS program does not track renewable volume distribution
 - RFS program is not involved with issuing tax credits
 - IRS administers the blended fuel credits
 - ExSTARS
 - EPA's RIN system could be helpful



Update on Texas Waiver

- **April – Governor of Texas requested a waiver from the RFS beginning 9/1/08 for one year**
 - 50% reduction in standard
 - Citing severe economic harm
- **May - EPA initiated a public comment process**
 - Received over 15,000 comments – a number raised substantive issues and included significant economic analysis
 - Coordinated our review with Departments of Agriculture and Energy
- **Denial announced August 7**
 - Based on careful review of potential impact on ethanol use, corn prices, food prices, fuel prices, RIN market
 - Weight of all the evidence indicates that implementation of the RFS would have no significant impact in the relevant time frame – most likely no effect
 - Even if the RFS mandate were to have an impact on the economy in 2008/9 it would not be of a nature or magnitude that could be characterized as severe
- **Federal Register Notice also set general expectations for future waiver requests.**



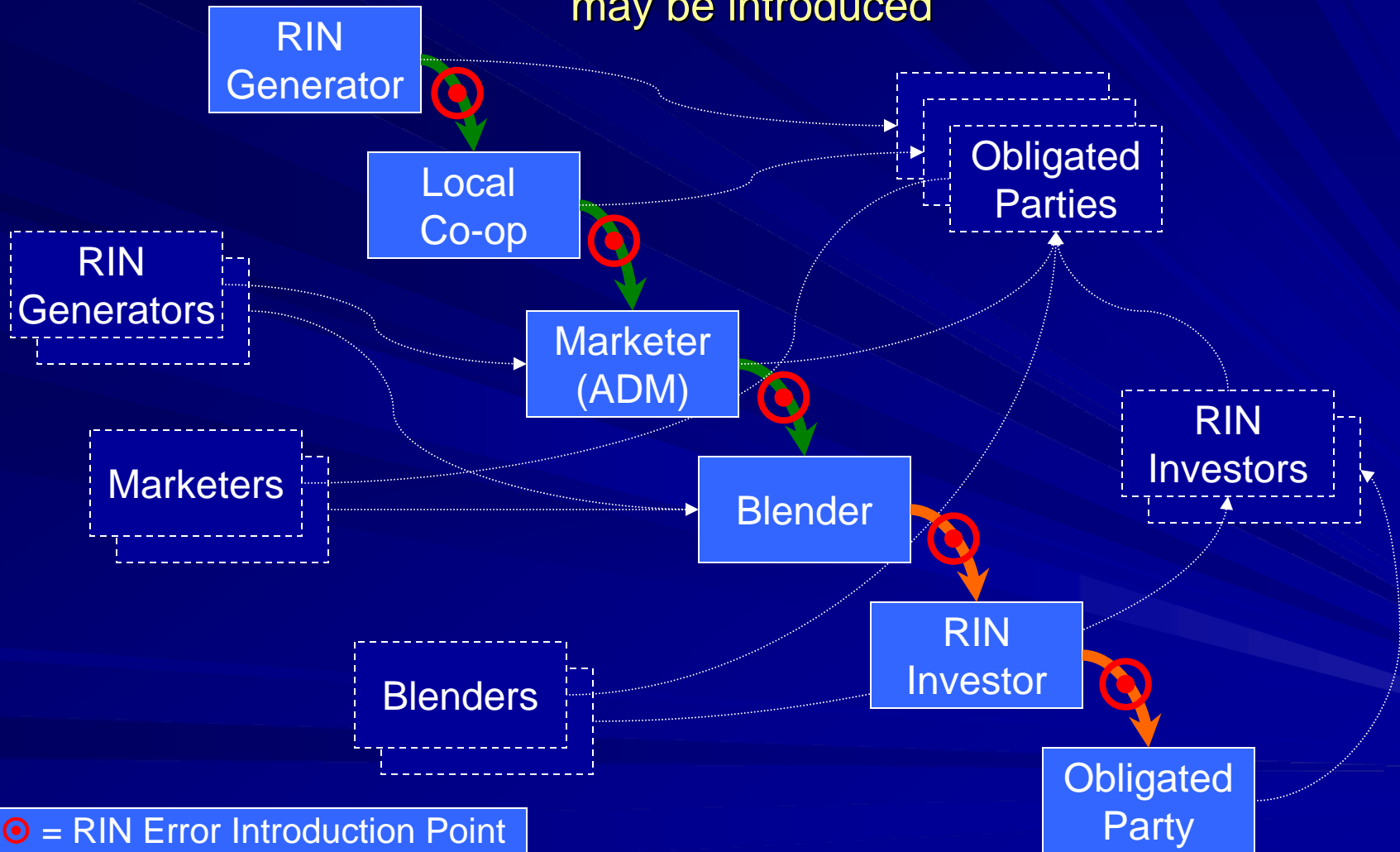
Update on RFS

- **RFS1 Reporting: Growing Pains**
 - Implementation has been a learning experience for us and the regulated community.
 - About 1000 (out of 1200 - > 80%) are new submitters.
 - New regulated parties are having difficulty understanding our reporting system.
 - 38-digit RIN is confusing
 - Administrative Errors
 - Typos and number transposition
 - Regulated community uses a mix of manual and automated processing
 - Mishandling
 - RINs generated incorrectly
 - Transfer of the same RIN to multiple parties
 - Improper changes to K code
 - Improper error correction methods - recalling RINs and substituting other RINs that may already belong to another party
 - Result is potentially invalid RIN
- **Product transfer document (PTD) inconsistencies contribute to confusion**
 - PTDs are the primary means of transferring RINs between parties
 - RFS does not prescribe what document shall serve as the PTD or method of transfer
 - Regulated parties have since begun to request that we require a standardized PTD



Existing RIN Trading System

Example of a daisy chained ownership path and points where errors may be introduced

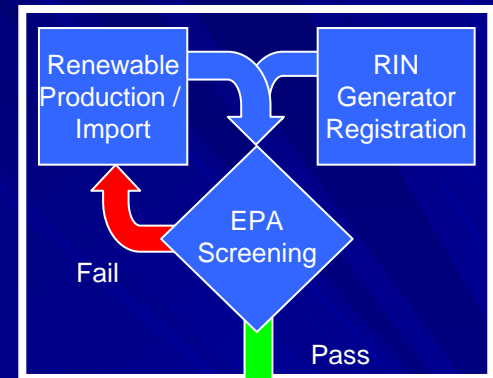


● = RIN Error Introduction Point
■ = Attached RIN
■ = Separated RIN



New Concept for an EPA-Moderated RIN Trading System

- **Single point where errors can be introduced; eliminated the daisy chain.**
 - Significant reduction in potential for errors; a necessity given the added RIN categories in RFS-2.
- Potential to reduce or streamline recordkeeping and PTD requirements (incorporate transaction confirmation IDs).
- Simplified mechanism for rectifying errors and processing corrections.
- **OTAQ will have instantaneous access to data.**
 - Screening system will provide instantaneous access to data - renewable products, production volumes, feedstock use, etc.
 - Transactional information can provide the number of RINs available by party type, type of RIN, etc.
 - Data will be available for use in determining RFS-2 standards





EPA Assistance and Guidance

- Helpline
 - 202-343-9755
 - EPAFuelsPrograms@epa.gov
- Guidance and Notices
 - Improper and Illegal RIN Trading Practices
 - Attest Engagements
 - Questions and Answers Document
 - www.epa.gov/otaq/renewablefuels/
 - Notices
 - Compliance Help
 - Frequently Asked Questions



Questions?

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