

Managing Today's Renewable Fuel Distribution System

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Overview of the RFS Program Requirements

Start Date

- The program is effective September 1, 2007
- RINs must be generated for all renewable fuel produced or imported on or after this date
 - Producers and importers of renewable fuel can also generate RINs for product in inventory on the start date
- Obligated parties begin counting the volumes of gasoline produced on or after this date
 - These volumes form the basis of their Renewable Volume Obligations (RVO) under the RFS program
- Recordkeeping and reporting requirements begin

See regulations at: §80.1104, §80.1126(d)(4)

Obligated Party vs. a Regulated Party

- An Obligated Party – Is obligated to meet the standard
- A Regulated Party – Is a Party that takes title to RINs
- Both types of parties are obligated to report and keep records
- Note once a renewable fuel is blended with Motor vehicle fuel, the new fuel is considered Motor vehicle fuel and RINs are no longer passed on

So What's A RIN?

- The Renewable Identification Number (RIN) is a 38-character numeric code in the format:

KYYYYCCCCFFFFFFBBBBBRRRDSSSSSSSSSEEEEEEEEE

- RINs are generated by renewable fuel producers and importers and assigned to batches that they transfer to others
- RINs form the basic currency for the RFS program
 - Currency for trades
 - Currency for credits
 - Currency for compliance
- RINs are valid for purposes of compliance with an RVO for the calendar year generated (the YYYY code) or the following year
 - Maximum carry forward from prior year of 20%

See regulations at: §80.1126

RIN Codes

KYYYYCCCCFFFFFFBBBBBRRDSSSSSSSSSEEEEEEEEE

- K = RIN assignment code (1=assigned, 2=unassigned)
- YYYY = Year batch is produced/imported (when it leaves the facility)
- CCCC = Company registration ID
- FFFFFF = Facility registration ID
- BBBBB = Producer assigned batch number
- RR = Equivalence Value for the renewable fuel
- D = Renewable type code (1=cellulosic; 2=non-cellulosic)
- SSSSSSSS = RIN Block Starting Number
- EEEEEEEE = RIN Block Ending Number

See regulations at: §80.1125

Equivalence Values

- EPA specified the Equivalence Value for several renewable fuels using volumetric energy content in comparison to ethanol (adjusted for renewable content)
 - Corn-ethanol: 1.0
 - Cellulosic biomass ethanol: 2.5
 - Biodiesel (alkyl esters): 1.5
 - Renewable diesel: 1.7
 - Biobutanol: 1.3
- EPA also provided out a process for calculating Equivalence Values for other renewable fuels

See regulations at: §80.1115

Basics of Compliance

- For producers and importers of renewable fuel
- For marketers and other parties who buy and sell renewable fuel
- For obligated parties and exporters of renewable fuel

The Basics of Compliance for Producers/Importers of Renewable Fuel

- Producers and importers of renewable fuel must generate RINs to represent all the renewable fuel they produce or import
 - The point in time when RINs must be generated is flexible, but no later than when the renewable fuel is transferred to another party
 - Can include product owned on Sept 1, 2007
- Total number of gallon-RINs that can be generated is determined from the Equivalence Value
 - Ratio of gallon-RINs to gallons = Equivalence Value

See regulations at: §80.1126(d)



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The Basics of Compliance for Producers/Importers of Renewable Fuel

- Producers and importers must assign RINs they generate to batches of renewable fuel and transfer them with renewable fuel
 - K code in the RIN must be 1 to indicate "assigned"
- Cellulosic ethanol is an exception
 - Excess gallon-RINs can be retained instead of transferred
 - Retained gallon-RINs would have a K code of 2 to indicate "unassigned"

See regulations at: §80.1128(a)(6)

The Basics of Compliance for Marketers and Others Who Own Renewable Fuel

- The requirements for parties that buy and sell renewable fuel are designed to ensure that RINs generated make their way to the obligated parties
- In general, RINs must travel with renewable fuel
- However, EPA has created several flexibilities that allow marketers wide discretion in how this happens from day to day

See regulations at: §80.1128(a)(1) through (3)

The Basics of Compliance for Marketers

- There are three primary requirements that ensure RINs move with renewable fuel:
 1. An assigned RIN cannot be transferred to another party without simultaneously transferring a volume of renewable fuel to that same party
 - Assigned RINs have a K code of 1
 - "Transfer" means a change in ownership, not custody

See regulations at: §80.1128(a)(3)

The Basics of Compliance for Marketers

2. No more than 2.5 assigned gallon-RINs can be transferred to another party with every gallon of renewable fuel transferred to that same party
 - But any party can transfer renewable fuel without RINs, subject to the end-of-quarter check
 - Thus a gallon of renewable fuel can be transferred with 0 - 2.5 gallon-RINs,
 - Assigned RINs are completely fungible: RINs can be assigned to different gallons, even different types of renewable fuels

See regulations at: §80.1128(a)(4)

End-of-Quarter Check for Marketers (1 of 2)

3. At the end of each quarter, each party must demonstrate that it owns no more assigned RINs (with $K = 1$) than gallons of renewable fuel (adjusted for its Equivalence Value)

Sum of assigned
gallon-RINs

Volume of renewable fuel owned
x Equivalence Value per volume

- This requirement ensures that, at least quarterly, RINs have been transferred with volume and obligated parties have opportunities to get RINs

See regulations at: §80.1128(a)(5)

End-of-Quarter Check for Marketers (2 of 2)

3. For the end of each quarter equation the equivalence value for any volume of:
 - Ethanol shall be 2.5
 - All other fuels if the composition can be determined the appropriate value shall be used
 - Biodiesel shall be 1.5
 - The End of Quarter dates are March 31, June 30, September 30, and December 31

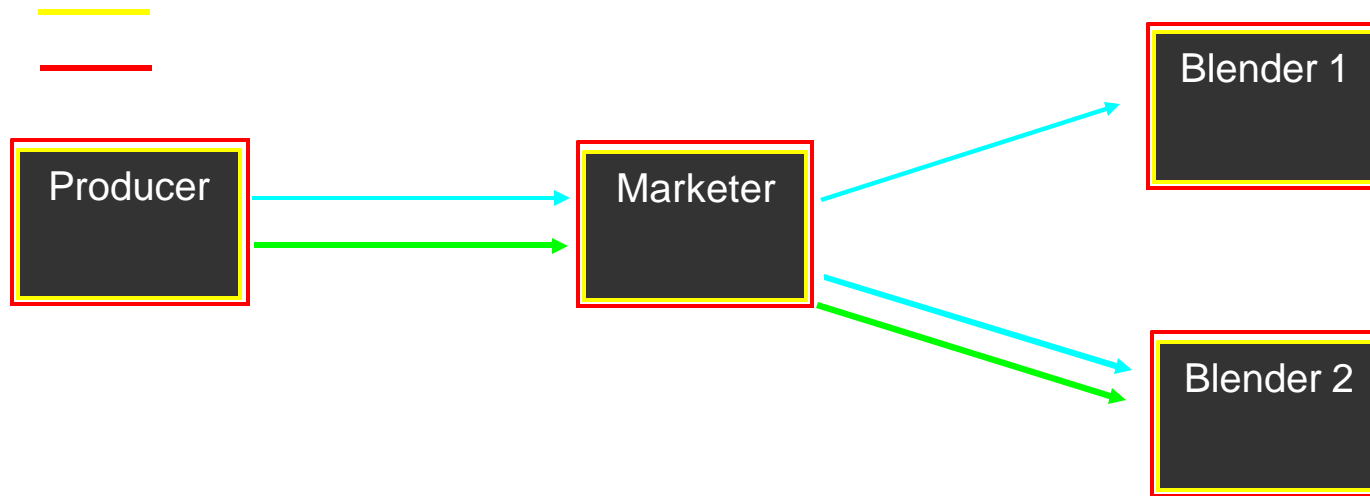
See regulations at: §80.1128(a)(5)

The Flow of RINs



- Assigned RINs are transferred when ownership of a batch of renewable fuel is transferred
- RINs are not transferred if merely custody of a batch of renewable fuel is transferred

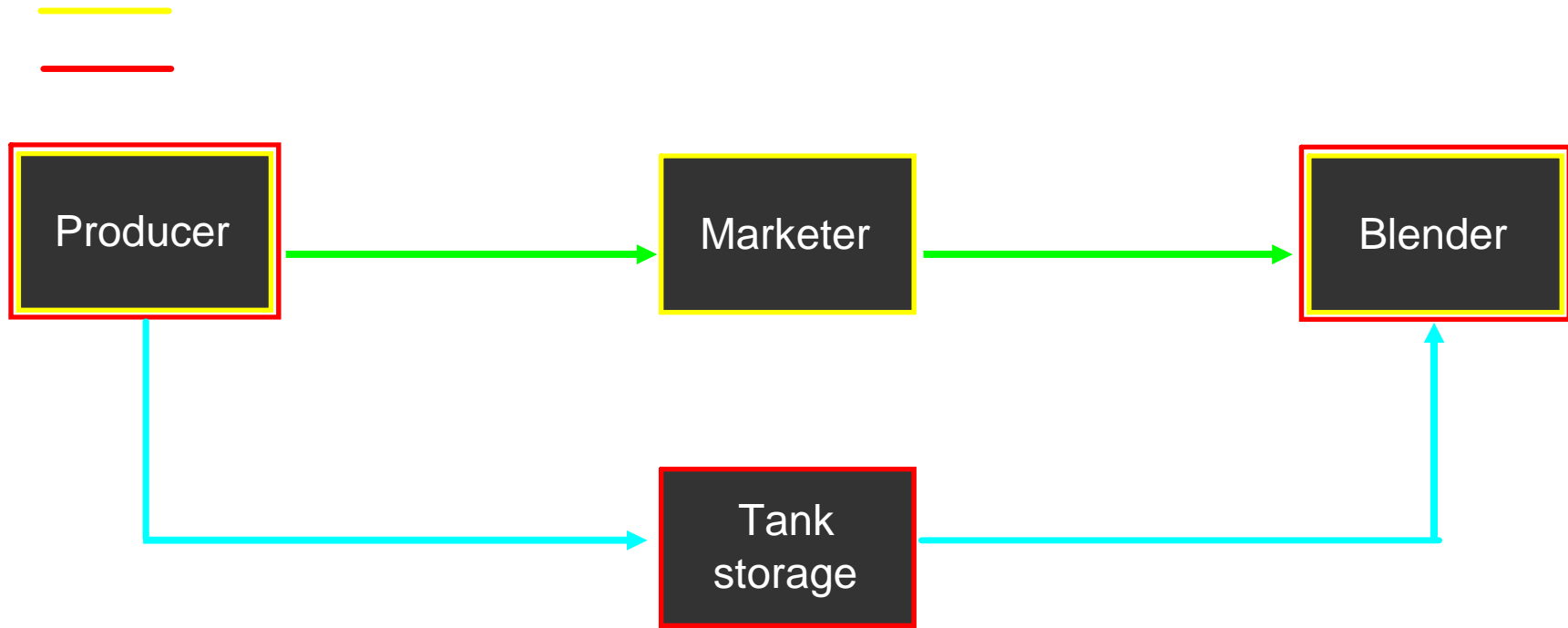
The Flow of RINs



- A Marketer may must send each customer between 0 and 2.5 RINs
- A blender receiving 2000 RINs assigned to 1000 gallons would separate 2000 RINs

See regulations at: 80.1129(b)(2) and 80.1128(a)(4)

The Flow of RINs



- Parties that take custody of renewable fuel but not ownership have no recordkeeping or reporting responsibilities under the RFS program

The Basics of Compliance for Obligated Parties

- Acquire RINs through either:
 - Purchasing renewable fuel from any party with assigned RINs
 - Purchasing unassigned RINs on the open RIN market
- For each calendar year, each obligated party must demonstrate that it has sufficient RINs to cover its RVO
 - Every gallon-RIN covers one gallon of the obligated party's RVO

See regulations at: §80.1127, §80.1129

Renewable Volume Obligations (RVO)

- Each obligated party must determine its own RVO based on the standard and the gasoline it produced or imported

$$\text{RVO} = \text{Standard} \times \text{annual gasoline volume} \\ (+ \text{ Deficit carryover})$$

- Applicable gasoline volumes include
 - Finished gasoline, RBOB, CBOB, CARBOB, GTAB
 - Blendstocks added to gasoline (MTBE, butane, etc)
 - All renewable fuel is excluded

See regulations at: §80.1107, §80.1130

What Happens if a Party "Loses" Some Volume?

- Most small volume losses can be accommodated through the provision allowing up to 2.5 gallon-RINs to be transferred with each gallon
 - Metering imprecision
 - Evaporation
 - Minor spills
- For more significant spills, we allow an appropriate number of gallon-RINs to be retired (reported as "retired" and no longer transferable)

See regulations at: §80.1128(a)(4), §80.1132

Additional Topics

- Compliance Period
- Registration Requirements
- Recordkeeping Requirements
- Reporting Requirements

Compliance Period

- RFS Program is Based on a Calendar Year
- Annual Compliance Period; January 1 – December 31.
 - Q1; January 1 – March 31 (Reports Due May 31)
 - Q2; April 1 – June 30 (Reports Due August 31)
 - Q3; July 1 – September 30 (Reports Due November 30)
 - Q4; October 1 – December 31 (Reports Due February 28)
 - Annual Reports Due February 28

Reference 80.1107, 80.1152(d)

Compliance Period

- 2007 Compliance Starts September 1
 - The First Quarter of the Program is Q3, Month of September
 - First Reports Due November 30
 - Q4 Reports, October – December, Due February 28, 2008
 - 2007 Annual Compliance Reports Due February 28, 2008
 - 2007 List of RINs Used to Demonstrate Compliance Due May 31, 2008

Reference 80.1107, 80.1152(a)(1)(x) & (d)

Registration: Company IDs Marketers and Blenders

- If you do not import or produce renewable fuel or gasoline, but handle renewable fuel
 - You only need to register your Company/ Entity (EPA 3520-20A)
 - Under business activities you are a “RIN Owner”
 - Registration forms can be found at <http://www.epa.gov/otaq/regs/fuels/fuelsregistration.htm>

Recordkeeping: Basics

- Record Retention – 5 Years From the Date Records were Created; for Records Related to RIN Transactions, 5 Years From the Transaction Date.
- Electronic vs. Paper Records
 - Either is Acceptable
- On request by EPA, Records Must be Made Available.
 - For Electronic Records –
 - Includes Equipment or Software Needed to Read Electronic Records, or
 - If Requested by EPA, Electronic Records Shall be Converted to Paper Documents

Reference 80.1151

Recordkeeping: Common Requirements for All Parties

- Product Transfer Documents (PTDs) for any Activity as a Transferor/Transferee of OWNERSHIP of Renewable Fuel
- Copies of Reports Submitted to EPA
- Records Related to RIN Transactions
 - List of RINS Owned, Purchased, Sold, or Retired
 - Parties Involved in Each Transaction – Transferor, Transferee, and any Broker or Agent
 - Transaction Date
 - Additional Information Related to Details of the Transaction and its Terms
- Any Parties Other Than Renewable Producers and Obligated Parties
 - PTDs Associated with Transactions

Reference 80.1151

Report Content: Common Requirements for All Parties

- If you did not have any RIN transactions in a quarter, there is no need to report for that quarter
- RIN Transaction Reports
 - Submitter's Name, Company ID, and (if applicable) Facility ID
 - Transaction Type (Sale, Purchase, Retire)
 - Transaction Date
 - Trading Partners Name and Company ID (for a sale/purchase)
 - Identification of the RIN
 - Retirement Information (e.g. for Spill, Enforcement Obligation, Use in a Boiler or Heater)

Reference 80.1152(c)(1)

Report Content: Common Requirements for All Parties

- Quarterly Gallon-RIN Activity Reports
 - Submitter's Name, Company ID, and (if applicable) Facility ID
 - Summary of Current-Year RINS (Beginning/Ending Inventory, Sales, Purchases, etc.)
 - Summary of Prior-Year RINS (Beginning/Ending Inventory, Sales, Purchases, etc.)
 - Volume of Renewable Fuel Owned at the End of the Quarter

Reference 80.1152(c)(2)

Need More Information?

Q&A Document – RFS Web page:

<http://www.epa.gov/otaq/renewablefuels/>

EPA Provides Guidance Documents, Report Instructions and Report Templates

<http://www.epa.gov/otaq/regs/fuels/forms.htm>

Fuels Programs Reporting Forms Web Page – “RFS Reporting Forms”:

<http://www.epa.gov/otaq/regs/fuels/forms.htm>

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Thank You



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