

## EPA Issues Notice of Proposed Rulemaking to Establish a Voluntary Quality Assurance Program for Verifying the Validity of Renewable Identification Numbers Under the RFS Program

**I**n today's action we are proposing to establish a voluntary quality assurance program for verifying the validity of Renewable Identification Numbers (RINs) under the Renewable Fuel Standard (RFS) program.

For RINs that have been verified according to an approved quality assurance plan (QAP), the proposed program would provide an affirmative defense against liability for civil violations under certain conditions for the transfer or use of invalidly generated RINs, and would specify both the conditions under which invalid RINs must be replaced with valid RINs, and by whom. The proposed program includes elements to encourage verification of RINs to occur at the beginning of 2013.

We are also proposing modifications to the exporter provisions of the RFS program to ensure that an appropriate number and type of RINs are retired whenever renewable fuel is exported. Finally, we are proposing a number of new regulatory provisions to address RINs that become invalid downstream of a renewable fuel producer.

## Background

The RFS program, which was established under Energy Policy Act of 2005 (EPAAct) and subsequently modified through the Energy Independence and Security Act of 2007 (EISA), requires that specified volumes of renewable fuel be used as transportation fuel, home heating oil, or jet fuel each year. To accomplish this, EPA publishes applicable percentage standards annually (for advanced biofuel, biomass-based diesel, cellulosic biofuel, and total renewable fuel) that apply based on the sum of all gasoline and diesel produced or imported. RINs are generated by renewable fuel producers and importers and represent volumes that meet the requirements for renewable fuel under the RFS program. Once RINs have been generated, they can be transferred between parties and used by petroleum refiners and importers (“obligated parties”) to show compliance with their volume obligations. Cases of fraudulently generated RINs, however, have led to a reduction in the overall liquidity in the RIN market and in smaller renewable fuel producers having difficulty selling their RINs.

## Summary of Major Provisions

Today’s action proposes a voluntary third party quality assurance program that could be used to verify that RINs have been validly generated. The proposal would provide a recognized means for independent third parties to audit the production of renewable fuel and the generation of RINs. The proposal contains the following elements:

- Minimum requirements for QAPs, including such things as verification of type of feedstocks, verification that volumes produced are consistent with amount of feedstocks processed, and verification that RINs generated are appropriately categorized and match the volumes produced
- Qualifications for independent third-party auditors
- Requirements for audits of renewable fuel production facilities, including minimum frequency, site visits, review of records, and reporting
- Conditions under which a regulated party would have an affirmative defense against liability for civil violations for transferring or using invalid RINs
- Identification of the party or parties who are responsible for replacing invalid RINs with valid RINs and the timing of such replacement
- Replacement instruments or other mechanisms that would provide assurance that invalid RINs are replaced with valid RINs

We are proposing two options that would be available for the verification of RINs through a QAP. These options would provide flexibility in how parties choose to manage the risk and costs of transferring or using invalid RINs. We are also proposing elements that could be applicable at the beginning of 2013.

In addition, we are proposing modifications to the exporter provisions of the RFS program. These modifications would help to ensure that an appropriate number and type of RINs are retired whenever renewable fuel is exported.

## Impacts

The voluntary quality assurance program is intended to improve RIN market liquidity and efficiency and improve the ability of smaller renewable fuel producers to sell their RINs. As the program is voluntary, there would be no required costs. Today's action would not affect the volumes of renewable fuel required to be produced or the associated greenhouse gas or energy security benefits of the RFS program.

## For More Information

For more information, please visit the RFS website at:

[www.epa.gov/otaq/fuels/renewablefuels](http://www.epa.gov/otaq/fuels/renewablefuels)

To submit a question on the RFS program, and to view Frequently Asked Questions, please visit:

[www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/index.htm](http://www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/index.htm)