Guidance for the Transition of Sulfur and Benzene Credit Programs to an Electronic System

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Compliance Division
Office of Transportation and Air Quality
U.S. Environmental Protection Agency

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Background Information

EPA announced in July 2014 that it was transitioning the sulfur and benzene Averaging, Banking, and Trading (ABT) programs into the EPA Moderated Transaction System (EMTS). This transition includes all credit generation and credit trading described in 40 CFR Part 80 under "Gasoline Sulfur" (Subpart O) and "Gasoline Benzene" (Subpart L). These regulations apply to gasoline refiners and importers, and credits can only be transacted by "a refiner or importer who intends to use the credit."

This guidance has been developed to assist companies that participate in Fuels ABT programs to transition to using EMTS over the next year. To learn more about EMTS, visit the EPA's EMTS web page, which contains tutorials, user documents, and templates. See the Additional Resources section at the end of this document for a list of links to this and other helpful information.

What is EMTS?

EMTS is an EPA reporting tool utilized for transacting and managing credits under EPA's Mobile Source Fuels programs, specifically, the Renewable Fuel Standard and Fuels ABT. EMTS screens the generation and moderates the transfer of credits. EMTS ensures that credits are generated by appropriately registered entities, and provides a structured environment in which to conduct credit transactions. The system also provides built-in functions that ensure compliance with regulatory provisions. For example, the Fuels ABT programs have regulatory provisions specifying the number of times an individual credit can be traded (twice) and who it can be traded to (gasoline refiners and importers). EMTS data quality checks will prevent entities from violating these provisions.

The credit transactions that can be conducted in EMTS include credit generation, trades, and retirement to show compliance. EMTS includes a web interface and the option to submit credit transactions through an XML node submission.

EMTS generates a set of summary reports to support regulated entities' compliance activity and end of year reporting. EPA plans to add additional reports to the system with new software releases.

How do the Fuels ABT and RFS credit trading programs differ in EMTS?

In EMTS, the major differences between the Fuels ABT and RFS programs are as follows:

- The RFS program regulations created Renewable Identification Numbers (RINs) to track renewable fuel credits. However, Fuels ABT credits are tracked in groups with matching generating organizations, generating facilities, and creation years. There are no unique

IDs for Fuels ABT credits and they do not have "assignment" codes denoting whether they have been "separated" from the fuel, as is the case with RINs.

- Unlike RINs, which can be traded any number of times, Fuels ABT credits can only be traded between organizations twice.

- Annual compliance for RFS can be determined either at the facility level or at the organization level (i.e., by aggregating facilities). However, Fuels ABT compliance is determined only at the facility level for refiners and only at the organization level for importers.

How do I enter my Fuels ABT credits into EMTS?

The first step that regulated industry must take in the transition to the electronic system is to upload all existing, unused credits from the years 2010 through 2014 into EMTS **by April 30, 2015.**

The process is as follows:

1. Download the "EMTS Unused Credits Submission Template," which is an Excel spreadsheet designed by EPA for the purpose of entering existing credits into EMTS. (See Additional Resources section below for the link to the template.)

2. In the template, credits should be aggregated so that each row contains only one credit year and one "number of times traded" (e.g., 0, 1, or 2). Use one spreadsheet per organization. The following five required fields must be populated:

   o Organization Identifier: The four-digit EPA Company ID of the organization that owns the credits.
   o Credit Type: Sulfur or Benzene
   o Credit Year: Year that the credit was created
   o Quantity: Number of credits
   o Times Traded: Number of times traded (0, 1, or 2)

   For example, a template could include the following data:

Organization Identifier	Credit Type	Credit Year	Quantity	Times Traded
9999	Sulfur	2010	1000	0
9999	Sulfur	2011	2000	1
9999	Sulfur	2011	3000	2
9999	Sulfur	2012	4000	0
9999	Sulfur	2012	5000	1

3. After completing the template, login to EMTS web interface and submit the Excel file on the "Submit 2010-2014 Unused Fuels ABT Credits" page.

When do I begin using EMTS to transact Fuels ABT credits?

Generally, all Fuels ABT credit transactions should be entered into EMTS beginning May 1, 2015.

There is only one scenario that would require organizations to enter a credit trade in EMTS *before* May 1, 2015. If an organization enters their unused credit totals in EMTS and subsequently, a pending trade is completed with another organization, both organizations must enter the trade in EMTS to ensure that their credit totals are updated prior to May 1, 2015.

For example, if Organization A uploads their unused credit totals on March 10, 2015 and then on March 11, 2015 completes a credit trade with Organization B, then both Organizations A and B will need to enter the credit trade before May 1, 2015 in EMTS to ensure that Organization A's unused credits totals are updated to reflect the trade.

Therefore, EPA recommends that organizations that intend to transact credits for 2014 compliance through the annual compliance deadline of March 31, 2015 do not enter their unused credits into EMTS prior to April 1, 2015 to avoid inconsistencies and being required to resubmit 2014 annual compliance reports.

How are Fuels ABT credits managed in EMTS?

Before EMTS, credits were created, traded and used for compliance at the facility (or refinery) level. For example, organizations that had 15 individual refineries managed 15 individual accounts. EMTS will streamline credit management by moving all credits to one organization level account. All credits created for each refinery are automatically assigned to the organization. So, if 15 individual refineries created credits, those credits would be merged into the organization account creating one overall balance. Organizations that trade credits will only need to identify the other organization's four-digit EPA Company ID and *not* the five-digit Facility ID.

For annual compliance, refiner organizations can use the organization-level credit balance to meet their refinery-specific obligations. Importers will only have to meet one annual average sulfur standard/benzene standard whether they have one import site or many. Compliance is reported in EMTS through "retire" transactions. Refinery organizations will enter each refinery's five-digit Facility ID and the number of credits needed to meet the refinery's obligation. Unused credits are carried forward into the next compliance year.

If an organization needs to adjust its credit balance due to either an over-generation or under-generation of credits, it can be done through a remedial action process.

How do I prepare my company to use EMTS for Fuels ABT?

EPA manages registration for all Fuels Programs through the OTAQ Registration system (OTAQReg), which is accessed through the Central Data Exchange (CDX). Regulations restrict ownership and use of Fuels ABT credits to gasoline refiners and importers who intend to use the credits for compliance.

Only organizations that are registered with one or more of the following business activities will have access to Fuels ABT functionality in EMTS:

- Gasoline Refiner
- Non-Renewable Fuels Importer
- PADD Importer
- Small Refiner – Benzene/Sulfur

All users of both OTAQReg and EMTS must have individual CDX user accounts. To access the Fuels ABT functionality in EMTS, each user must also have the appropriate "role" assigned by the Responsible Corporate Officer of the company. Two new roles were created for Fuels ABT: "Fuels ABT EMTS Submitter" and "Fuels ABT EMTS Viewer." These new roles allow companies to restrict EMTS access by program.

Existing users in the OTAQReg system can submit a Company Association request to update their roles using the "Update Existing Company Associations" link in the sidebar of OTAQReg. If an organization wishes to register new users, accounts can be created by following the instructions available on EPA's website at http://www.epa.gov/otaq/fuels/reporting/newuser.htm. To learn more about EMTS, visit the EPA's EMTS web page, which contains tutorials, user documents, and templates. See the Resources section at the end of this document for a list of links to this and other helpful information.

How do I submit 2014 Annual Compliance reports?

During the transition of Fuels ABT to EMTS, some reports will either be modified or will no longer be required after April 30, 2015. The table below lists these reports.

Report Name	Program	Submit by March 31, 2015 for 2014 Compliance	Applicability after April 30, 2015
Gasoline Sulfur Credit Banking and Allotment Generation Report (GSF0100)	Sulfur	Yes*	Yes, the report will be modified into GSF0101 and will be required at the end of the 2015 compliance year.
Facility Gasoline Sulfur Credit Transfer/Conversion Report (GSF0200)	Sulfur	Yes*	No longer required. (Facility-level reports are no longer required after the transition)

Report Name	Program	Submit by March 31, 2015 for 2014 Compliance	Applicability after April 30, 2015
RFG & Anti-Dumping Annual Benzene Report (MSAT-2) (RFG2000)	Benzene	No	Yes, the report will be modified into RFG2001 and will be required at the end of the 2015 compliance year.
MSAT-2 Credit Transfer Report (RFG2200)	Benzene	Yes*	No longer required.
MSAT-2 Precompliance Report (MSAT-2) (RFG2500)	Benzene	Small refiners only* (as approved under 80.1340)	Yes, small refiners only should submit at the end of the 2015 compliance year

* If unused credits are submitted into EMTS prior to April 1, 2015 and subsequently, credits are traded, these reports must be resubmitted.

Additional Resources

- EMTS User Documentation:
  http://www.epa.gov/otaq/fuels/renewablefuels/emtshtml/emtsdocuments.htm

- Fuels Programs Reporting Guidance:
  http://www.epa.gov/otaq/fuels/reporting/index.htm

- OTAQ Registration User Documentation:
  http://www.epa.gov/otaq/fuels/reporting/programsregistration.htm

Please submit questions to EPA's Fuels Programs support to support@epamts-support.com