

Cellulosic Waiver Credit Price Calculation for 2016

For any calendar year for which the projected volume of cellulosic biofuel production is less than the applicable volume of cellulosic biofuel set forth in Clean Air Act (CAA) 211(o)(2)(B)(III), EPA must reduce the required volume of cellulosic biofuel for that year to the projected volume, and must provide obligated parties the opportunity to purchase cellulosic waiver credits (CWC). The price of these credits is determined using a formula specified in the CAA.¹ The cellulosic waiver credit price is the greater of \$0.25 or \$3.00 minus the wholesale price of gasoline, where both the \$0.25 and \$3.00 are adjusted for inflation. In a rule published in April 2015², EPA stated our intention to establish future CWC prices by posting a notice on our “Renewable Fuel Standard Program” website. This serves the required notice, and establishes the Cellulosic Waiver Credit price for 2016 at \$1.33.

To determine the CWC price, EPA first determines the average wholesale (refinery gate) price of gasoline using the most recent twelve monthly values for “U.S. Total Gasoline Bulk Sales Price by Refiners” as provided by the U.S. Department of Energy’s Energy Information Administration (EIA) that are available as of September 30 of the year preceding the compliance period.³ For 2016, the most recent 12 months for which data is available covers July 2014 through June 2015. The data are shown below in Table 1 for the calculations for 2016, respectively, and can be found at:

www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMA_EPM0_PBR_NUS_DPG&f=M.

Month	Average Price (\$)
July 2014	2.848
August 2014	2.707
September 2014	2.671
October 2014	2.423
November 2014	2.059
December 2014	1.659
January 2015	1.317
February 2015	1.550
March 2015	1.716
April 2015	1.765
May 2015	1.974
June 2015	2.040

The average monthly price of wholesale gasoline in dollars for the calculation of the 2016 CWC price is \$2.061.

¹ CAA 211(o)(7)(D)(ii)

² 80 FR 18136, April 3, 2015

³ 40 CFR 80.1456(d)(2)

The CAA requires that EPA adjust for inflation the comparison values of twenty-five cents (\$0.25) and three dollars (\$3.00) in the CWC price formula. EPA must compare the inflated twenty-five cent value with the amount the inflated three dollar value exceeds the average wholesale price of gasoline. EPA is required to use the greater of the two values as the price for the cellulosic biofuel waiver credits.

EPA evaluated inflation by using the Unadjusted Index values from the “Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average,” for the “All Items” expenditure category as provided by the Bureau of Labor and Statistics, for the months of January 2009 (the first comparable value after 2008) and June 2015, as specified in 40 CFR 80.1456(d)(3). These unadjusted indexes are used to calculate an Inflation Factor for each year, as shown in Table 2 below. Finally, we compare \$0.25 (inflation adjusted) to \$3.00 (inflation adjusted) minus the wholesale price of gasoline for each year. The greater of these values is the price for the cellulosic waiver credits.

Table 2 – Inflation Adjustments		
Month	Unadjusted Index	Source
January 2009	211.143	http://www.bls.gov/cpi/cpid0901.pdf (Table 1)
June 2015	238.638	http://www.bls.gov/cpi/cpid1506.pdf (Table 1)

Table 3 – Inflation Factors		
Months	Equation	Inflation Factor
Jan. 2009 – June 2015	$1+(238.638-211.143)/211.143$	1.130

Table 4 – Cellulosic Waiver Credit Price Calculations			
Year	\$0.25 (Inflation Adjusted)	\$3 – Wholesale Price of Gasoline (Inflation Adjusted)	CWC Price (Larger of the two values, rounded to the nearest cent)
2016	$\$0.25 \times 1.130 = \0.28	$(\$3.00 \times 1.130) - \$2.061 = \$1.330$	\$1.33

As shown in Table 4, using the data sources for the inflation adjustment that are specified in the April 2015 final rule results in a CWC price of \$1.33 for 2016.