

Cellulosic Waiver Credit Price Calculation for 2018

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

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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) section 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 2015,² EPA stated our intention to announce future CWC prices by posting a notice on our “Renewable Fuels: Regulations & Standards” website. This document serves the required notice that the Cellulosic Waiver Credit price for 2018 is \$1.96.

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 Energy Information Administration (EIA) that are available as of September 30 of the year preceding the compliance period.³ For 2018, the most recent 12 months for which data were available as of September 30, 2017 covers July 2016 through June 2017. The data can be found at: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMA_EPM0_PBR_NUS_DPG&f=M and are summarized below in Table 1.

Table 1 – Wholesale Gasoline Prices for 2018 CWC Calculation

Month	Average Price in \$
July 2016	1.428
August 2016	1.404
September 2016	1.454
October 2016	1.501
November 2016	1.406
December 2016	1.492
January 2017	1.601
February 2017	1.584
March 2017	1.589
April 2017	1.636
May 2017	1.578
June 2017	1.533

The average of the monthly average wholesale gasoline prices in dollars is \$1.517.

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

¹ CAA 211(o)(7)(D)(ii)

² 80 FR 18136

³ 40 CFR 80.1456(d)(2)

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 2017, 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 average wholesale price of gasoline during the most recent twelve months for which available as of September 30 of the year preceding the compliance period (July 2016 – June 2017 for the 2018 CWC price). The greater of these values is the price for the cellulosic waiver credits.

Table 2 – Inflation Adjustments

Month	Unadjusted Index ⁴
January 2009	211.143
June 2017	244.955

Table 3 – Inflation Factors

Months	Equation	Inflation Factor
Jan. 2009 – June 2017	$1+(244.955-211.143)/211.143$	1.160

Table 4 – Cellulosic Waiver Credit Price Calculations

Year	\$0.25 (Inflation Adjusted)	\$3 (Inflation Adjusted) Minus Wholesale Price of Gasoline	CWC Price (Larger of the two values, rounded to the nearest cent)
2017	$\$0.25 * 1.160 = \0.29	$(\$3.00 * 1.160) - \$1.517 = \$1.963$	\$1.96

As shown in Table 4, using the data sources for the inflation adjustment that are specified in this announcement results in a CWC price of \$1.96 for 2018.

⁴ Information available at: <https://www.bls.gov/cpi/tables/detailed-reports/home.htm>