



# Overview of the E15 RVP/RIN Market Reform Rule

(40 CFR Part 80, Subparts M and N)



# Overview

- RFS Background
- Rule Summary
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- E15 Requirements
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# Renewable Fuel Standard

- Congress created the renewable fuel standard (RFS) program under the Energy Policy Act of 2005 and expanded it under the Energy Independence and Security Act of 2007
- The RFS program is a national policy that requires a certain volume of renewable fuel to replace or reduce the quantity of petroleum-based transportation fuel, heating oil or jet fuel
- Congress established yearly volume requirements for four renewable fuel categories out to 2022
  - The statute provides EPA authority to adjust volumes set by Congress if certain conditions are met



# Four Renewable Fuel Categories

Renewable Fuel Category	Example of Qualifying Renewable Fuel	Minimum GHG Lifecycle Emissions Reduction (relative to 2005 baseline)
Cellulosic	Biogas from landfills, etc.  Ethanol, gasoline or diesel from corn stover, switch grass, tree residues, etc.	60%
Biomass-based diesel	Biodiesel and renewable diesel from soy, canola, waste oils	50%
Advanced biofuel	Ethanol from sugarcane, most biodiesel/renewable diesel	50%
Renewable fuel	Ethanol from corn starch, biodiesel from palm oil	20% (unless grandfathered)



# Fuel nesting scheme for Renewable Fuel Standard (RFS)

## Conventional renewable fuel (D6)

**Example feedstock:** Corn starch  
**Required lifecycle GHG reduction:** 20% or more

## Advanced biofuel (D5)

**Example feedstocks:** Sugarcane, biobutanol, bionaphta  
**Required lifecycle GHG reduction:** 50% or more

### Cellulosic biofuel (D3)

**Example feedstocks:** Corn stover, wood chips,  
miscanthus, biogas  
**Required lifecycle GHG reduction:** 60% or more

### Biomass-based diesel (D4)

**Example feedstocks:** Soybean oil, canola oil,  
waste oil, animal fats  
**Required lifecycle GHG reduction:** 50% or more



# RFS Program Compliance Basics

- Obligated Parties are refiners or importers of gasoline or diesel
- The volumes are converted into 4 different percentages for each standard -- obligated parties must demonstrate compliance with that percentage standard each year
- Obligated Parties must obtain sufficient RINs (Renewable Identification Numbers) for each category in order to demonstrate compliance
  - RIN = compliance “credit” for the program; Different RINs (D-Codes) for each type of fuel
  - RINs are generated by a producer when the producer makes a gallon of renewable fuel
  - RINs are assigned to a volume of renewable fuel until either: (1) the renewable fuel is blended with gasoline or fossil-based diesel, or (2) an obligated party or exporter owns the renewable fuel.
  - The RINs are then separated from the renewable fuels and are commodities that are tradable
  - Obligated parties can buy biofuel with RINs attached, or buy separated RINs on the market
  - After each calendar year, obligated parties retire RINs to EPA to demonstrate compliance
  - The RIN enables obligated parties to comply without physically producing, blending, or selling the renewable fuel themselves, allowing the marketplace to be more efficient
- All RIN transactions (including generation, transfer, and separation) must be logged with EPA through an electronic system (EMTS)



# Summary of E15/RMR Final Rule

- On May 30, 2019, EPA finalized regulatory changes to allow gasoline blended with up to 15 percent ethanol (E15) to take advantage of the 1-psi Reid Vapor Pressure (RVP) waiver that previously only applied to E10 during the summer months
- Under the finalized expansion, E15 is allowed to be sold year-round without additional RVP control rather than just eight months of the year
- EPA also finalized regulatory changes to modify certain elements of the RIN compliance system under the RFS, in order to bring greater transparency to the RIN market and deter price manipulation
- The finalized reforms to RIN markets include:
  - Requiring public disclosure when RIN holdings exceed specified thresholds
  - Collecting additional data to improve market transparency and enhance EPA oversight



# Key Dates and Milestones

Date	Milestone
May 30, 2019	Final rule signed by the EPA Administrator
June 1, 2019	Date that all parties may start taking advantage of the 1-psi RVP waiver for E15
June 10, 2019	Final rule published in <i>Federal Register</i> (84 FR 26980)
January 1, 2020	Date the new RMR requirements take effect
June 1, 2020	Deadline for parties to submit the first report containing the new information required by RMR
June 1, 2021	Deadline for attest auditors to submit first annual attest report with the new information required by RMR





# RIN Market Reform (Part 80, Subpart M)



# Summary of Changes

- RIN Holdings and Threshold Calculations
- RIN Prices and Transaction Mechanisms in EMTS
- Reporting Requirements
- Recordkeeping Requirements
- Attest Engagement Requirements



# Affected/Regulated Entities

- Only parties holding RINs are subject to these requirements
- Some examples include: Petroleum refiners and importers, Renewable fuel producers and importers, Petroleum bulk stations and terminals, Petroleum and petroleum product wholesalers, and Gasoline retail stations



# RIN Holdings Calculations (40 CFR 80.1435)

- Beginning January 1, 2020, any party that holds RINs must comply with the RIN holdings calculation requirements under 40 CFR 80.1435(a)
- Each party must calculate its end-of-day separated D6 RIN holdings and aggregate them with the end-of-day separated D6 RIN holdings of all corporate affiliates in its corporate affiliate group, as applicable
- This is a quarterly requirement
  - This means parties have the option to conduct the calculations once at the end of the quarter or do it daily
- Two RIN-holding parties are corporate affiliates if:
  - One owns or controls ownership of more than 20 percent of the other
  - One parent company owns or controls ownership of more than 20 percent of both
- A corporate affiliate group is a group of parties in which each party is a corporate affiliate to at least one other party in the group



# RIN Holdings Calculations (40 CFR 80.1435(b)(1))

- After calculating its daily RIN holdings, each party must then calculate its holdings-to-market percentage, by summing its RINs with those held by its corporate affiliate group
- If the corporate affiliate group's holdings-to-market percentage exceeds 3% of the total conventional renewable fuel volume requirement for any calendar day in a compliance period, all group members have exceeded the primary threshold



# RIN Holdings Calculations (40 CFR 80.1435(b)(2))

- If a corporate affiliate group containing at least one obligated party has a holdings-to-market percentage greater than 3% for any calendar day in a compliance period, each party must calculate the corporate affiliate group's holdings-to-obligation percentage
- If the corporate affiliate group's holdings-to-obligation percentage exceeds 130% of its conventional renewable fuel RVO for any calendar day in a compliance period, all group members have exceeded the secondary threshold
  - Members of a corporate affiliate group containing an obligated party that exceeds the primary but not the secondary threshold should report "no" to the threshold question (see slide 19)



# Alternative Production Volume Allowance (40 CFR 80.1435(d))

- To calculate their RIN holdings against the secondary threshold, parties must use their prior calendar year's reported gasoline and diesel production volumes.
- However, parties may use alternative gasoline and diesel production volumes if the following requirements are met:
  - The party has a reasonable basis for using an alternative volume
    - E.g. sale, acquisition, or shutdown of a refinery
  - The party uses actual production numbers for any completed quarter and extrapolated numbers for any future quarters when substituting the alternative production volume
  - The party meets the applicable recordkeeping requirements
  - The party provides the documented basis and calculations used for an alternative volume to the attest auditor



# Exemption from Aggregation Requirements (40 CFR 80.1435(e))

- A party may claim an exemption from the requirement to aggregate separated D6 RIN holdings for any affiliate where one or more of the following apply:
  - There is an absence of common trading-level control and information sharing with the affiliate
  - The sharing of information regarding aggregation with the affiliate could lead either party to violate state or Federal law
  - The affiliate is exempt from the regulations regarding commodities and securities exchanges under 17 CFR 150.4(b)(7)
- Any party claiming an exemption must maintain and provide to the attest auditor all records supporting the exemption (40 CFR 80.1454(v)(3))





# Compliance Period

- Parties must report compliance with the daily RIN holding thresholds on a quarterly basis (see slide 19)
- Parties may choose to perform the calculations at any interval that suits their business practices, (e.g. daily or quarterly) provided they maintain records of the calculations substantiating their reported compliance with the applicable thresholds



# Contractual Affiliates

- Contractual affiliate means one of the following:
  - Two parties are contractual affiliates if they have an explicit or implicit agreement in place for one to purchase or hold RINs on behalf of the other or to deliver RINs to the other
  - Two parties are contractual affiliates if one RIN-owning party purchases or holds RINs on behalf of the other
- A contractual affiliate may or may not be registered under the RFS program
- A list of all contractual affiliates from the applicable quarter must be reported on the RFS activity report
- The RIN holdings of contractual affiliates should not be included in a party's daily RIN holding calculations



# Reporting Requirements (40 CFR 80.1451)

- The quarterly RFS0104 activity report will be replaced by the RFS0105 report
  - All the RFS0104 data fields remain, with some additional fields
  - The RFS0105 form is required to be submitted on a quarterly basis with the same deadlines as the previous RFS0104 version
    - June 1 for Q1, Sept 1 for Q2, Dec 1 for Q3, Mar 31 for Q4
- The RFS0105 report additional fields are:
  - Whether the submitter exceeded the applicable RIN holding threshold(s) (either itself or its corporate affiliate group)
  - The EPA-assigned company ID for each of the submitter's affiliates (if registered)
  - The names of the submitter's affiliates (both corporate and contractual)
  - The nature of the affiliation (e.g. corporate or contractual)



# RIN Prices and Trade Mechanisms (40 CFR 80.1452)

- For transactions on or after January 1, 2020:
  - Report the per gallon RIN price or the per-gallon price of renewable fuel with RINs included for transactions including assigned RINs
  - Report the per gallon RIN price for transactions including separated RINs
  - New type of transaction (mechanism) codes for separated RINs
    - Spot market, term contract, etc.
- EMTS business rules will be updated to require that separated RIN prices match between buyers and sellers
  - Separated RIN trades without matching prices will be rejected by the system
  - Only certain types of separated RIN transactions will be allowed to enter a price of \$0.00
    - Pass-back, consignment, intra-company



# Recordkeeping Requirements (40 CFR 80.1454)

- All parties transacting or holding RINs are required to keep records for five years to substantiate or demonstrate:
  - The price of the RINs transacted
  - The transaction mechanism (i.e., spot market or term contract)
  - End-of-day separated RIN holdings and any associated calculations, including corporate affiliate RIN holdings and calculations
  - Corporate and contractual affiliate information, including name, location, and description of relationship
  - Any records supporting an alternative production volume under 40 CFR 80.1435(d)
  - Any records supporting an exemption claimed under 40 CFR 80.1435(e)



# Attest Engagement Requirements (40 CFR 80.1464)

- Attest auditors are required to review all the additional information submitted to EPA as part of their annual audit including:
  - Performing sample calculations of the party's end-of-day RIN holdings
  - Identifying any date(s) on which the party exceeded the applicable RIN holding threshold(s)
  - Corroborating the list of affiliates reported to EPA
  - Reviewing any records supporting an exemption claimed under 40 CFR 80.1435(e)



# Additional Items

- EPA intends to publish the names of parties that exceed the applicable RIN holding thresholds on our website
  - EPA does not consider this information to be confidential and parties may not make claims to withhold it (40 CFR 80.1402)



# E15

## (Part 80, Subpart N)





# Summary of Changes

- E15 fuel quality:
  - The ethanol used in the E15 must now meet the most recent quality specifications (ASTM D4806-19)
  - The E15 must now meet the most recent ASTM D4814-19 specification for gasoline
  - The RVP can now be up to 10.0 psi during the summertime (May 1 – Sept 15)
- Minor revisions to the E15 product transfer document language to drop the distinction between fuels taking advantage of the 1-psi RVP waiver (40 CFR 80.1503)



# Existing requirements for E15 (40 CFR 80.1500-1509)

- All existing requirements for E15 in 40 CFR Subpart N are still applicable
- Fuel and fuel additive manufacturers wishing to introduce E15 into commerce must first:
  - Register E15 or ethanol for use in making E15 under EPA's fuel and fuel additive registration program
  - Have an EPA-approved misfuelling mitigation plan
  - Participate in the E15 compliance survey
  - Ethanol used to make E15 must meet industry quality standards
- All parties that make, distribute, or sell E15 are also subject to EPA regulations to mitigate the misfuelling of vehicles, engines, and equipment prohibited by federal law from using E15. These requirements include:
  - Properly labeling fuel pumps that sell E15
  - Identifying E15 on product transfer documents
  - Participating in the E15 compliance survey



# Additional Resources

- [E15/RMR Final Rule](#)
- [Register a Fuel or Fuel Additive](#)
- [E15 Fuel Registration and Information](#)
- [How to Register a New Company, Facility, or User for Part 80 Fuels Program](#)
- [Fuels Program Helpdesk](#)