

Example RIN Holdings and RIN Holding Thresholds Calculations (40 C.F.R. 80.1435)

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

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Beginning January 1, 2020, any party that holds RINs must comply with the RIN holding requirements of 40 CFR 80.1435. This document outlines a series of example RIN holdings calculations based on various simplified, hypothetical scenarios that RIN holding parties may face. These examples are intended for use as a reference only, and in no way alter the regulatory requirements at 40 CFR 80.1435. Unless otherwise noted, all RINs referenced in this document are assumed to be separated D6 RINs.

RIN Holding Calculation Steps

Step 1: Identify your corporate affiliate group

Two RIN-holding parties are corporate affiliates if one or more of the following is true:

- One party 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 means a group of parties in which each party is a corporate affiliate to at least one other party in the group.

Contractual affiliates should not be included in corporate affiliate groups.

Step 2: Identify your RIN holdings

Each party should identify its own daily separated D6 RIN holdings. These holdings are then aggregated amongst the members of the corporate affiliate group (as applicable) in step 3.

Step 3: Identify the right primary threshold equation

The day of the year for which the RIN holdings calculations are being performed determines which set of formulas to use. Calculations performed during the first quarter of the calendar year (January 1 – March 31) require formulas with a 1.25 multiplier, while the calculations performed during the rest of the year (April 1 – December 31) require formulas with no multiplier.

Step 4: Calculate holdings to market percentage (HTMP)

Every RIN-holding party must calculate the HTMP of each corporate affiliate group of which it is a member. If there are no corporate affiliations, the RIN-holding party should calculate the HTMP just for itself.

Step 5: Determine if secondary threshold equation is required

The secondary threshold equations are required if both of the following criteria are met:

- At least one party in the corporate affiliate group is an obligated party (OP)
- The corporate affiliate group's HTMP exceeded 3.00 percent on any day in the quarter

If either of these criteria are not met, the corporate affiliate group does not need to calculate HTOP and should decide whether it exceeded its RIN holdings threshold based on the results of step 4.

Step 6: If required, calculate the conventional RVO and deficit

If the secondary threshold equations are required by step 5, each member of the corporate affiliate group should calculate its conventional RVO and deficit (as applicable).

Step 7: If required, calculate holdings to obligation percentage (HTOP)

The results from the calculations under step 6 should then be used to calculate the group's HTOP. As with the primary threshold equation, the day of the year the calculations are being performed on will determine which set of formulas to use.

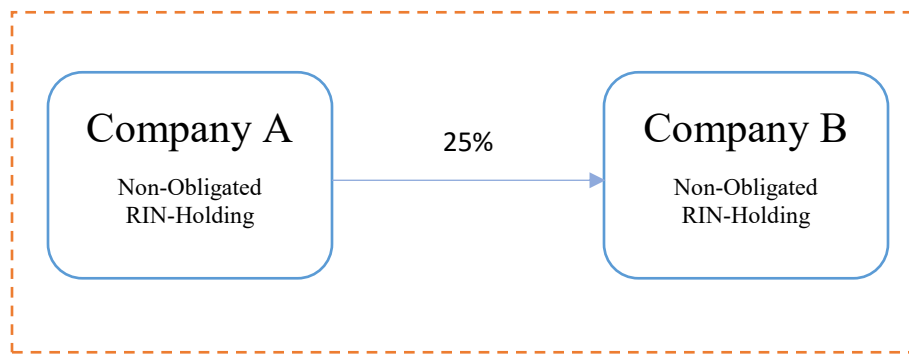
Step 8: Submit quarterly RFS0105 report indicating whether the applicable threshold was exceeded during the quarter

All RIN holding parties are required to submit the quarterly RFS activity report, regardless of whether they exceeded the applicable threshold or not.

Although this is a quarterly report, parties may choose to perform their end of day RIN holding calculations quarterly, daily, or another sub-quarterly frequency depending on what best suits their established business practices.

Scenario 1: One Non-Obligated Party Owns or Controls Another Non-Obligated Party

- **Step 1:**



- Company A and Company B are in the same corporate affiliate group because A owns more than 20 percent of B. Thus, their RIN holdings calculations should yield the same result.

- **Step 2:**

	A	B
End-of-day separated D6 RIN Holdings	750,000	10,000,000

Expected annual volume of conventional renewable fuel for 2019 (billion gallons)	15.0
Date of calculations	February 15, 2019

- **Step 3:** The calculations are being performed for the day of February 15, meaning the equation at 40 CFR 80.1435(b)(1)(i) should be used.
- **Step 4:**

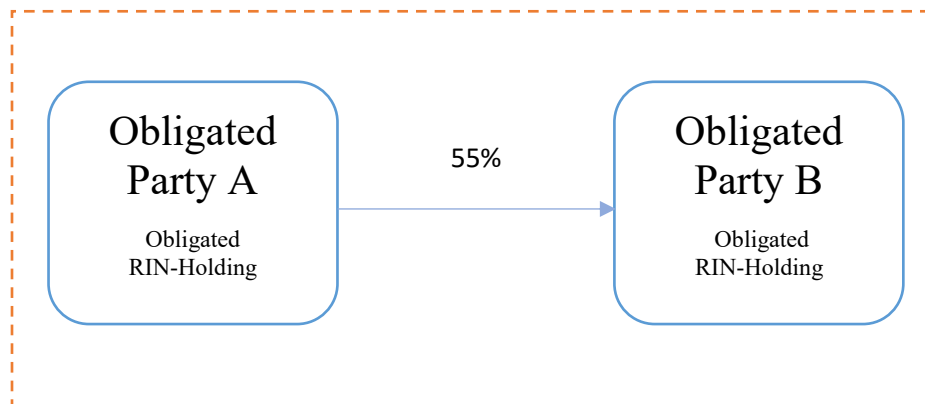
$$\text{HTMP}_d = [(750,000 + 10,000,000) / (15,000,000,000 * 1.25)] * 100$$

$$\text{HTMP}_d = 0.06\%$$

- The AB corporate affiliate group’s holdings-to-market-percentage is below 3.00 percent and therefore both parties should use the “NPS” code on the quarterly RFS0105 report, provided the group does not exceed the applicable thresholds on any other day during the quarter.
- **Step 5:** Both parties are non-obligated parties under the RFS, so only the primary threshold is applicable.
- **Steps 6 & 7:** N/A
- **Step 8:** Submit report before June 1, 2019.

Scenario 2: One Obligated Party Owns or Controls Another Obligated Party

- **Step 1:**



- Obligated Party A and Obligated Party B are in the same corporate affiliate group because A controls ownership of more than 20 percent of B. Thus, their RIN holdings calculations should yield the same result.
- **Step 2:**

	A	B
End-of-day separated D6 RIN Holdings	50,000,000	320,000,000
2018 Gasoline Production/Import (million gallons)	4,000	1,750
2018 Diesel Production/Import (million gallons)	1,500	500
2018 Renewable Fuel Deficit Carryover (RIN-gallons)	0	0
2018 Advanced Biofuel Deficit Carryover (RIN-gallons)	0	0

Expected annual volume of conventional renewable fuel for 2019 (billion gallons)	15.0
Renewable fuel standard for 2018	10.67%
Advanced biofuel standard for 2018	2.37%
Date of calculations	December 1, 2019

- **Step 3:** The calculations are being performed for the day of December 1, meaning the group should start by calculating its holdings-to-market percentage using the equation at 40 CFR 80.1435(b)(1)(ii).
- **Step 4:**

“AB” Corporate Affiliate Group

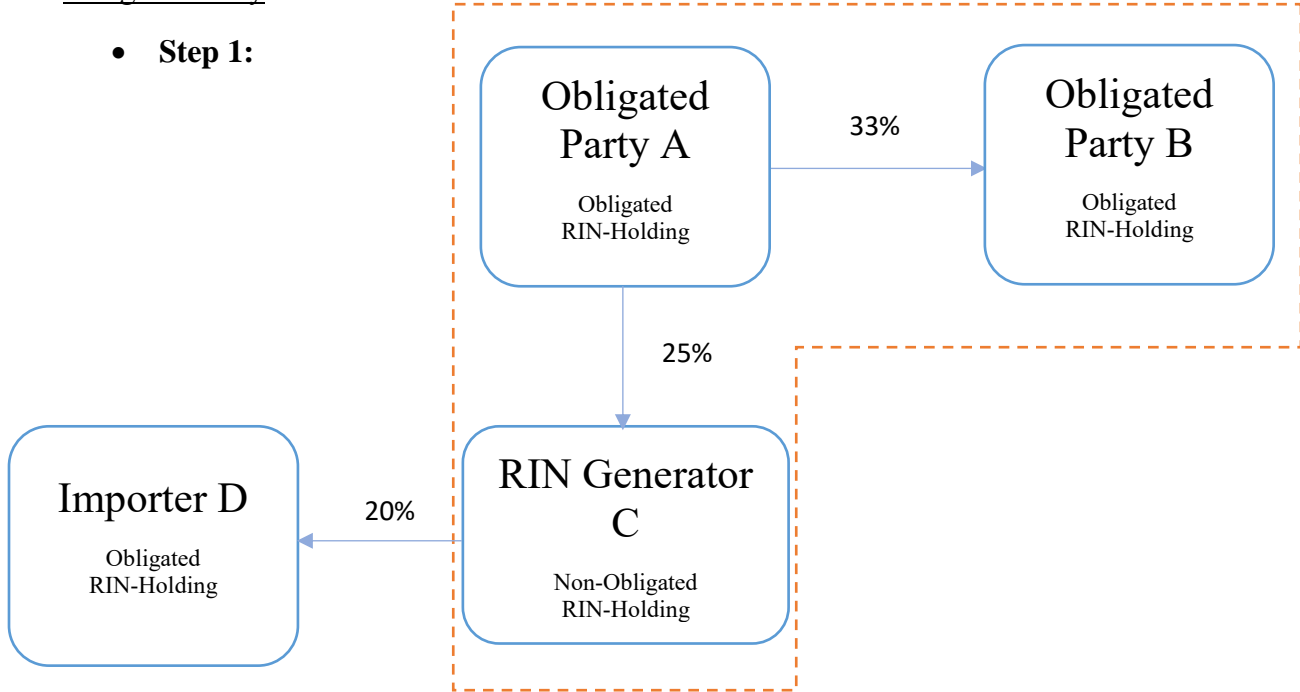
$$\text{HTMP}_d = [(50,000,000 + 320,000,000) / (15,000,000,000)] * 100$$

$$\text{HTMP}_d = 2.47\%$$

- **Step 5:** Both parties are obligated parties under the RFS, so both the primary and secondary thresholds are applicable. However, *AB*'s holdings-to-market-percentage is below 3.00 percent, therefore the group does not need to perform the secondary RIN holding threshold calculation at 40 CFR 80.1435(b)(2)(ii). Both parties should use the “NPS” code on the quarterly RFS0105 report, provided the group does not exceed the applicable thresholds on any other day during the quarter.
- **Steps 6 & 7:** N/A
- **Step 8:** Submit report before March 1, 2020.

Scenario 3: One Obligated Party Owns or Controls Another Obligated Party and a Non-Obligated Party

• **Step 1:**



- Parties A, B, and C share a corporate affiliate group because A owns or controls ownership of more than 20 percent of B and C. Therefore, each party’s RIN holding calculations should yield the same result.
- Importer D is not included in this corporate affiliate group because C does not own or control more than 20 percent of D.
- **Step 2:**

	A	B	C	D
End-of-day separated D6 RIN Holdings	150,000,000	100,000,000	225,000,000	80,000,000
2018 Gasoline Production/Import (million gallons)	3,250	1,750	N/A	400
2018 Diesel Production/Import (million gallons)	1,250	750	N/A	50
2018 Renewable Fuel Deficit Carryover (RIN-gallons)	0	0	N/A	0
2018 Advanced Biofuel Deficit Carryover (RIN-gallons)	0	0	N/A	0

Expected annual volume of conventional renewable fuel for 2019 (billion gallons)	15.0
Renewable fuel standard for 2018	10.67%
Advanced biofuel standard for 2018	2.37%
Date of calculations	May 1, 2019

- **Step 3:** The calculations are being performed for the day of May 1, meaning the group should start by calculating its holdings-to-market percentage using the equation at 40 CFR 80.1435(b)(1)(ii).
- **Step 4:**

“ABC” Corporate Affiliate Group

$$\text{HTMP}_d = [(150,000,000 + 100,000,000 + 225,000,000) / (15,000,000,000)] * 100$$

$$\text{HTMP}_d = 3.17\%$$

Importer D

$$\text{HTMP}_d = [(80,000,000) / (15,000,000,000)] * 100$$

$$\text{HTMP}_d = 0.53\%$$

- **Step 5:** A and B are obligated parties under the RFS, so both the primary and secondary thresholds are applicable for the *ABC* corporate affiliate group. *ABC*'s holdings-to-market-percentage is above 3.00 percent and therefore all parties must perform the secondary RIN holding threshold calculation at 40 CFR 80.1435(b)(2)(ii).
- Although D is an obligated party under the RFS, its holdings-to-market-percentage is below 3.00 percent and therefore it does not need to perform the secondary RIN holding threshold calculation at 40 CFR 80.1435(b)(2)(ii).
- **Step 6:** First, the *ABC* group must calculate its conventional RVO using the equation at 40 CFR 80.1435(b)(2)(iii).¹

$$\text{CNV_RVO}_{2018} = \{[0.1067 * (3,250,000,000 + 1,750,000,000 + 1,250,000,000 + 750,000,000)] - [0.0237 * (3,250,000,000 + 1,750,000,000 + 1,250,000,000 + 750,000,000)]\} + 0$$

$$\text{CNV_RVO}_{2018} = 581,000,000 \text{ RIN-gallons}$$

- Since none of the obligated parties in the corporate affiliate group carried over a deficit from 2019, there is no need to use the formula at 40 CFR 80.1435(b)(2)(iv).
- **Step 7:** Once *ABC*'s conventional RVO is calculated, the secondary RIN holding threshold formula at 40 CFR 80.1435(b)(2)(ii) applies.

$$\text{HTOP}_d = [(150,000,000 + 100,000,000 + 225,000,000) / (578,200,000 + 0)] * 100$$

¹ For simplicity, this document calculates the CNV_RVO for the entire corporate affiliate group using one equation. In practice, parties should calculate their CNV_RVO individually, then sum the results when calculating HTOP.

$HTOP_d = 81.76\%$

- Since *ABC*'s holdings-to-market percentage is above 3.00 percent but its holdings-to-obligation percentage is below 130.00%, all three parties should use the "PNO" code on the quarterly RFS0105 report, provided the group does not exceed the applicable thresholds on any other day during the quarter.
- Since *D*'s holdings-to-market percentage is below 3.00 percent, it should use the "NPS" code on the quarterly RFS0105 report, provided it does not exceed the applicable thresholds on any other day during the quarter.
- **Step 8:** Submit report before September 1, 2020.