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An Introduction to EPA's Renewable Identification Numbers ("RINs")

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Recent Federal Biofuels Support

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1990's: Clean Air Act Amdts

- 2% fuel oxygen requirement
- Removed in 2005

Support has grown this decade

- Tax incentives for alcohol, biodiesel mixtures
- Ethanol tariff
- RFS1: enacted 2005
 - 7.5 billion gallons by 2012
- RFS2: enacted 2007
 - 36 billion gallons by 2022
 - "Advanced biofuel" mandates



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Renewable Fuel Standard (RFS)
Phase 2 Fuel Mandates



RFS2: 4 Separate Stds

Year	Advanced Biofuel			Total Renewable Fuel
	Biomass-Based Diesel	Cellulosic Biofuel	Total Advanced Biofuel	
2006				4.0
2007				4.7
2008				9.0
2009	0.5		0.5	11.1
2010	0.65	0.1	0.95	12.95
2011	0.80	0.25	1.35	13.95
2012	1.0	0.5	2.0	15.2
2013	1.0	1.0	2.75	16.55
2014	1.0	1.75	3.75	18.15
2015	1.0	3.0	5.5	20.5
2016	1.0	4.25	7.25	22.25
2017	1.0	5.5	9.0	24.0
2018	1.0	7.0	11.0	26.0
2019	1.0	8.5	13.0	28.0
2020	1.0	10.5	15.0	30.0
2021	1.0	13.5	18.0	33.0
2022	1.0	16.0	21.0	36.0

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Note: all volumes in billions of gallons

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Credit-Based Compliance System



Statutory Authority: Clean Air Act § 211(o)(5):

- EPA shall issue regulations that provide for the generation of credits for renewable fuels;
- The credit generator may use the credits or transfer them; and,
- Credits shall be valid for 12 months from the date of generation.

Renewable Fuel Credits = "RINs"

- Renewable Identification Numbers

Differ in several respects from prior credit programs

- Open trading platform – any party can participate
- Unlimited number of trades
- Credit generators ≠ credit needy
- Serial numbers

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What is a "RIN"?

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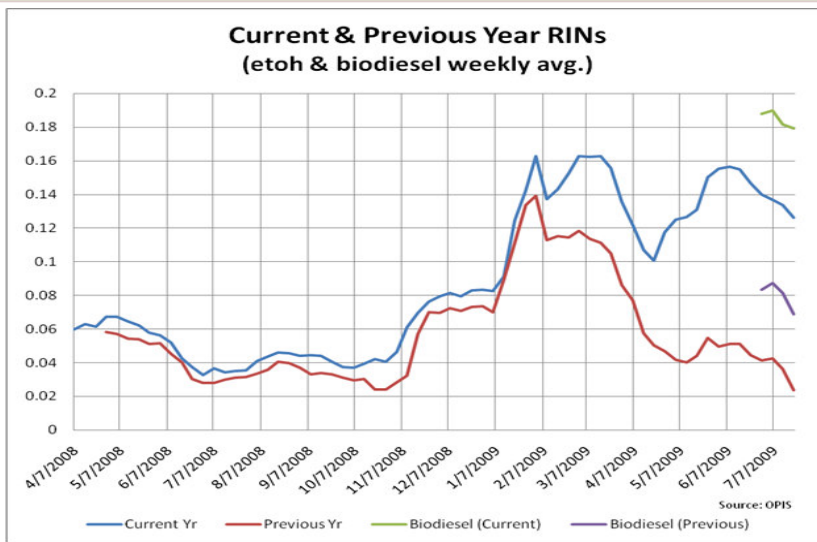
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RIN Values Over the Last Year


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Source: OPIS Ethanol & Biodiesel Information Service




RIN Codes

RIN Code: KYYYYCCCCFFFFBBBBRRDSSSSSSSSEEEEEEE, where:

K	=	Designates whether RIN is “assigned” to or “separated” from the RF (K equals “1” if assigned, “2” if separated)
YYYY	=	Calendar year of batch production or import
CCCC	=	RF producer’s or importer’s registration number
FFFF	=	RF facility registration number
BBBBB	=	Batch serial number
RR	=	RF’s equivalence value (EQV)
D	=	Identifies the type of RF
SSSSSSS	=	Batch first gallon
EEEEEEE	=	Batch last gallon

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Basic Elements of RIN-Based Compliance System

1. **RINs generated and assigned by renewable fuel producers and importers for each batch**
 - At this point only does the RIN specifically identify and correspond to a physical volume
2. **RINs transferred with volume of fuel to buyer**
 - Transferred via title transfer document for fuel, e.g., invoice
3. **“Assigned” RINs = limited fungibility**
 - Fuel buyer may add RINs from multiple batches to its inventory
 - RIN codes may be split, but cannot be consolidated
 - Starting Code: 1-2009-1234-56789-00001-10-2-00000001-00000500
 - Split 1: 1-2009-1234-56789-00001-10-2-00000001-00000250
 - Split 2: 1-2009-1234-56789-00001-10-2-00000251-00000500
 - Once added to buyer’s inventory, code no longer tied to original batch
 - But – “assigned” RINs cannot be sold independent from fuel
 - Maximum of 2.5 assigned RINs per gallon

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Basic Elements of RIN-Based Compliance System (cont.)



4. RIN “Separation”

- Only certain parties may separate:
 - Gasoline (and soon diesel) refiners and importers
 - Renewable fuel owner at point of blending into gasoline or diesel
 - Oxy blenders
 - For biodiesel, only if blended to B80 or lower
 - Renewable fuel exporters, for volume exported
- Key: once separated, RINs are more fungible
 - Can be traded independent from fuel
 - No longer have any association with physical volumes
 - Still cannot consolidate codes

5. Separated RINs used for compliance

- “Obligated Parties” = gasoline (and soon diesel) refiners and importers
- Generally are short RINs – so must buy from the market

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Common Problems with RINs



Invalid RINs have plagued the market for 2+ years

- Code typos
- Duplicate RINs
- Improper code splits
- Failure to retire non-compliant RINs

Transfer Delays and Reporting Corrections

- Invalid RINs hold up title transfer, payment
- Single invalid RIN can have a cascading effect on quarterly reports – parties continuously resubmitting report corrections

EPA Moderated Transaction System

- EPA-managed online system to conduct all RIN transactions
- Greater consistency/less opportunity for invalid RINs
- Less emphasis on RIN codes – will transact using more generic descriptions
 - E.g., “10,000 assigned, year 2009, advanced biofuel RINs”
- Release ~Jan. 2010

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RINs and Motor Fuel Taxes

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RINs are not an effective method of combating fuel tax evasion

- Once RINs are separated they cannot be used to track movement of fuel
- Separation of RINs is not related to the point of taxation, nor to federal tax credits

RINs may interact with the federal alcohol mixture tax credit

- RINs are available for volumes up to 5% denaturant
- The full 45 cpg tax credit is only available for volumes up to 2.49% (operational tolerance) denaturant. A reduced credit applies for volumes between 2.49% and 5% denaturant.

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RINs and Motor Fuel Taxes (cont.)

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RINs may influence state legislation relating to ethanol blending

- Several states (*e.g.* Georgia, Tennessee, North Carolina) have enacted legislation requiring suppliers to provide unblended gasoline to marketers at the terminal
 - By purchasing unblended gasoline and ethanol separately, marketers may have access to RINs
- Challenges for states
 - Additional registrants as marketers start blending ethanol and gasoline
 - An increase in entities required to file monthly reports
 - Does the taxpayer change when marketers are licensed and/or unblended gasoline is sold from the terminal?

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Questions

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