



Alternative Fuels & Chemicals Coalition

Advocating for Public Policies to Promote the Development & Production of Alternative Fuels, Renewable Chemicals, Biobased Products, and Sustainable Aviation Fuels

AFCC News & Reports – January 2020 #1: RIN Prices Rise After Court Strikes Down Some SREs

On Friday, January 24, 2020, the 10th District Court of Appeals in Denver vacated the EPA's small refinery exemptions (SRE's) for three oil refineries owned by Carl Icahn's CVR Refining in Wynnewood, Oklahoma, and two Holly Frontier plants in Cheyenne, Wyoming, and Woods Cross, Utah.

Prices from Renewable Identification Numbers (RINs) rose sharply in early trading the following Monday.

In its ruling, the court said that blending exemptions could only be granted to refineries that had been granted such exemptions in the previous year.



D6 ethanol RINs for 2019 traded at 11.25 cents/RIN in early trading, up from 9 cents on Friday. RINs for 2019 can be used under federal rules to satisfy up to 20% of a fuel refiner's or importer's blending obligation.

The ruling could dramatically alter the way the EPA issues the exemptions, which allow small refineries to ignore federal biofuel blending rules.

The lawsuit was brought by major ag and biofuel groups including the National Farmers Union and National Corn Growers Association.

Under the Clean Air Act, the EPA is allowed to extend blending exemptions under the Renewable Fuel Standard for small oil refiners that received waivers during the early years of the program.

But the law is intended to force larger and larger amounts of renewable fuels into the market with time, and the court found the EPA is not authorized to issue new exemptions.

Under President Trump, the EPA has granted 85 exemptions which accounted for more than 4 billion gallons of ethanol – which brought about a rapid expansion of the waiver program compared to previous administrations. This enraged farmers, and ethanol producers.

The court ruling is specific to three exemptions granted several years ago, but it does bolster farmers' and biofuel producers' contention that the EPA acted illegally.

Under EPA regulations, small refinery exemptions allow refineries with a capacity of 75,000 barrels per day (b/d) or less to ignore federal rules that require oil refineries to blend a mandated amount of renewable fuels into U.S. transportation stocks, if the refinery can prove that complying

A Collaborative Government Affairs Effort

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could be a “disproportionate economic hardship.” The rules are part of the federal Renewable Fuel Standard.

Prior to the 10th district’s ruling, no court had held that an exemption had to be an extension of an existing exemption.

If the ruling stands, S&P Global Platts Analytics estimates that at least 64 small refinery exemptions were granted improperly. Consequently, 3.2 billion RINs were improperly exempted.

The EPA issues RINs to track renewable fuel usage throughout the supply chain. Refiners and importers – called obligated parties – use them to show the EPA that they have fulfilled their mandated government use of renewable fuels. If the obligated party has not used enough physical product, it can buy RINs to satisfy the quota.