



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

April 9, 2018

OFFICE OF
AIR AND RADIATION

The Honorable Charles E. Grassley
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

Thank you for your letter of January 11, 2018, to U.S. Environmental Protection Agency Administrator Scott Pruitt, in which you ask a series of questions related to the Renewable Fuel Standard (RFS) and the impact of RIN (renewable identification numbers) prices on various parties. The Administrator asked that I respond on his behalf.

Several of your questions pertain to RIN pass-through, or more specifically, the extent to which the value of a RIN is “passed through” and reflected in the price at which refiners sell their blendstock product. EPA recently completed an assessment of a number of the questions raised in your letter, including those related to RIN price pass-through. The agency’s conclusions, based on the information available to EPA at the time of our assessment, are available in our *Denial of Petitions for Rulemaking to Change the RFS Point of Obligation*.¹ Of particular relevance to your questions related to RIN value pass-through was our finding that “All obligated parties, including merchant refiners, are generally able to recover the cost of the RINs they need for compliance with the RFS obligations through the cost of the gasoline and diesel fuel they produce.”² The agency also reiterated that it was not persuaded by arguments that merchant refiners are put at a distinct disadvantage when compared to integrated refiners:

The EPA is also not persuaded, based on the record before us, by arguments that, under the current regulatory structure, merchant refiners are disadvantaged compared to integrated refiners in terms of their costs of compliance, nor that other stakeholders are receiving windfall profits. The costs of the RFS program are apportioned to all refiners and importers as a function of their production volume and generally are passed on to consumers.³

With regard to your infrastructure build-out questions, the agency has stated that the primary barriers limiting the production and use of renewable fuels are the status of the production technologies to economically produce cellulosic fuels and to a lesser degree vehicle

¹ Available on EPA’s website at <https://nepis.epa.gov/Exe/ZyPDF.cgi?Dockey=P100TBGV.pdf>

² US EPA, *Denial of Petitions for Rulemaking to Change the RFS Point of Obligation* (November 2017), *see* p. 23.

³ *Id.* at p. 9.

and retail infrastructure compatibility with higher level ethanol blends. In light of this situation, the agency continues to review and administer decisions associated with expanding the recognition of cellulosic fuels through pending pathways applications. More broadly, the agency believes there is sufficient blending infrastructure available to date, as demonstrated in part by the ability of the current regulatory program to incentivize its installation.

Some of your questions pertain to compliance options available to obligated parties. The agency would simply note that there are several different options obligated parties have to fulfill their volume obligations including blending renewable fuel, purchasing RINS or acquiring downstream infrastructure.

Some of the questions in your letter pertain to issues outside EPA's purview. Your questions associated with information about investments in renewable fuel blending infrastructure by refineries, the relationship between RIN prices and quarterly refining operating income, and how market factors such as refinery location impact the financial performance of all refiners are topics for which EPA does not have the information available to fully assess. The agency would note that industry choices regarding which market segments to participate in, and to what degree, continually evolve over time, as profits among the various market segments likewise vary considerably over time. Other parties, such as the Department of Energy or individual refiners, may be better able to address these specific questions.

Finally, your questions regarding capping RIN prices have been the subject of an ongoing dialogue between the White House, Congress and numerous federal agencies, including EPA and the U.S. Department of Agriculture. As these discussions and the associated analyses by all involved entities are ongoing, any conclusory statement at this point would be premature.

EPA appreciates the importance of the RFS program to stakeholders across the country, especially America's hard-working farmers. As such, the Administration is interested in ensuring the program is implemented in a manner consistent with the statute. EPA also appreciates the important role Congress has and will continue to play in the success of the program. As such, I look forward to working with you and your colleagues as we continually look for opportunities to improve the operation of the program.

Again, thank you for your letter. If you have further questions, please contact me or your staff may contact Troy Lyons in the EPA's Office of Congressional and Intergovernmental Relations at lyons.troy@epa.gov or 202-564-1142.

Sincerely,



William L. Wehrum
Assistant Administrator