

United States Senate

WASHINGTON, DC 20510

January 11, 2018

The Honorable E. Scott Pruitt, Administrator
U.S. Environmental Protection Agency
William Jefferson Clinton Building
1200 Pennsylvania Avenue, N. W.
Washington, DC 20460

Dear Administrator Pruitt,

As you are aware, we have been asked to participate in discussions with our Senate colleagues regarding the Renewable Fuel Standard. Specifically, our colleagues are working to construct policy options that would lower RIN prices for certain fuel refiners. In an effort to fully understand the perceived problem that we are being asked to address, it would be useful to have clarification from the Environmental Protection Agency on a number of topics to better understand the issues being discussed. We would respectfully request your help in addressing the following questions.

- 1) In November, EPA wrote “After reviewing the available data, EPA has concluded that refiners are generally able to recover the cost of RINs in the prices they receive for their refined products, and therefore high RIN prices do not cause significant harm to refiners.”¹ Has EPA’s view on this subject changed?
- 2) EPA has also stated that “Merchant refiners, who largely purchase separated RINs to meet their RFS obligations, should not therefore be disadvantaged by higher RIN prices, as they are recovering these costs in the sale price of their products.”² Does EPA still maintain this view on the effect of RINs on merchant refiners? If not, what has changed?
- 3) A November analysis by Wells Fargo concluded that “...bottom line performance appears positive for most of the Independent Refiners across our coverage universe as the vast majority of the cost of RINs is embedded in the crack spread.” The report also noted that RINs provide a “financial incentive to ‘build out’ wholesale infrastructure.” Does EPA agree with those conclusions?
- 4) The RFS allows obligated parties to fulfill their volume obligations by either blending renewable fuel or purchasing RINs. Is it accurate that obligated parties have an alternative other than purchasing RIN credits? Could merchant refiners increase their ability to blend renewable fuels to comply with the RFS? Is EPA aware of any obstacles preventing any of the merchant refiners from blending physical gallons of biofuels to meet their obligation?

¹ U.S. Environmental Protection Agency, *Response to Comments: Renewable Fuel Standard Program: Standards for 2018 and Biomass-Based Diesel Volume for 2019, Proposed Rule*, Nov. 30, 2017.

² U.S. Environmental Protection Agency, *A Preliminary Assessment of RIN Market Dynamics, RIN Prices, and Their Effects*, May 14, 2015.

- 5) Many obligated parties have made substantial, long-term investments in renewable fuel blending facilities to meet RFS obligations. Have the refiners who claim to be severely negatively impacted by RIN prices chosen to make similar investments? If so, in what way? If not, why not?
- 6) Does EPA have any data that would demonstrate a relationship between RIN prices and quarterly operating income for these certain refiners?
- 7) EPA determined that the RFS and RINs are not causing significant harm to refiners.³ What are the market factors that primarily affect the financial performance of oil refiners?
- 8) How do refining margins and financial performance differ geographically? What unique factors contribute to regional variations in refining margins in the Northeast, Gulf Coast, Midwest, Rocky Mountain region, and West Coast?
- 9) EPA analysis revealed that “the discounting of renewable fuels enabled by the sale of the RINs, and the higher petroleum prices that result from the cost of purchasing RINs, are expected to offset each other, resulting in the RIN price having no net impact across the entire fuel pool.”⁴ In other words, RINs have no impact on retail prices for standard E10 gasoline. Economists from Harvard University, MIT, Iowa State University, and other institutions have come to similar conclusions. Does EPA still maintain the view that RINs have no net impact on E10 gasoline retail prices? If not, what has changed?
- 10) EPA analysis shows that “[h]igh RIN prices are expected to reduce the price of fuel blends that contain a higher percentage of renewable fuels, such as E85...” In turn, EPA found that consumption of E85 increases as RIN prices increase and E85 prices decrease relative to gasoline.⁵ Would a price cap on RINs discourage increased renewable fuel consumption?
- 11) Does EPA believe capping RIN prices would reduce or eliminate the economic incentive to expand consumption of fuel blends with higher renewable content, like E15, E85, and B20? Would a price cap on RINs make it more difficult for the marketplace to achieve the statutory renewable blending volumes?

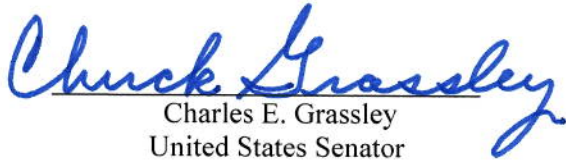
³ U.S. Environmental Protection Agency, *Response to Comments: Renewable Fuel Standard Program: Standards for 2018 and Biomass-Based Diesel Volume for 2019, Proposed Rule*, Nov. 30, 2017.

⁴ U.S. Environmental Protection Agency, *A Preliminary Assessment of RIN Market Dynamics, RIN Prices, and Their Effects*, May 14, 2015.

⁵ U.S. Environmental Protection Agency, *A Preliminary Assessment of RIN Market Dynamics, RIN Prices, and Their Effects*, May 14, 2015.

Thank you for your assistance in clarifying these matters.

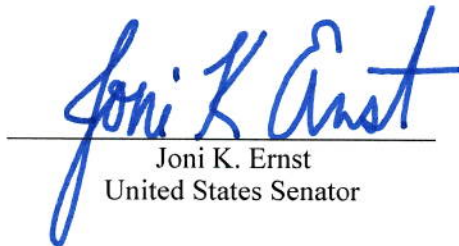
Sincerely,


Charles E. Grassley
United States Senator


John Thune
United States Senator


Roy Blunt
United States Senator


Deb Fischer
United States Senator


Joni K. Ernst
United States Senator