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## Renewable Fuel Standard Costs Increase 1400% in Two Months: Corn-Ethanol RINs Cross \$1.00 per Gallon Threshold

The federal Renewable Fuel Standard (RFS) requires gasoline and diesel refiners, blenders and importers to purchase and use an ever increasing number of renewable fuel credits (known as RINs) representing volumes of renewable fuel to offset the annual production of petroleum-based transportation fuel. The cost of complying with the RFS has increased by more than 1400% in 2013, costing refiners and importers of gasoline and diesel approximately \$0.09 for every gallon of gasoline and diesel they produce at present RIN prices.

RINs are generated by renewable fuel producers when they sell qualifying renewable fuel. RINs may be traded separately or with corresponding volumes of renewable fuel. The renewable fuel produced is blended with gasoline and diesel and used for transportation fuel, heating oil and jet fuel.

There are several different types of RINs, corresponding to different types of renewable fuel that qualify for the mandates of the RFS: (1) total renewable fuel RINs (generally representing corn-ethanol production); (2) biomass-based diesel RINs (generally representing biodiesel production); (3) advanced biofuel RINs (generally representing sugarcane-ethanol production); and (4) cellulosic RINs (representing fuel from the fibrous portion of a plant). This year, importers and refiners of gasoline and diesel will be required to purchase and retire 13.8 billion corn-ethanol RINs, representing approximately 85% of the overall number of RINs that these parties must purchase.

Traditionally, corn-ethanol RINs were very inexpensive and traded at less than \$0.01 per RIN. Corn-ethanol RINs remained cheap due to relatively low production costs and ease of blending ethanol into gasoline. In 2013, however, prices for these RINs have steadily skyrocketed and currently trade at over \$1.00 per RIN. The rise in price of corn-ethanol RINs has been linked to reaching the "ethanol blend wall," the point at which no more ethanol can be added to the transportation fuel pool in the United States. For legal and liability reasons, in the United States ethanol generally is not blended into gasoline in concentrations greater than 10%. With the Environmental Protection Agency (EPA) and many in the industry predicting that the RFS mandates will require the use of renewable fuel in excess of that "blend wall" in either 2013 or 2014, corn-ethanol RIN prices have increased exponentially over concerns on whether higher blending is feasible.

Hitting the ethanol blend wall will force industry to implement creative RFS compliance strategies, such as increased: (1) blending of biodiesel into diesel fuel; (2) imports of sugarcane-ethanol; and (3) production and use of biogas (e.g., landfill gas, dairy digester gas) as a transportation fuel.

Sutherland Asbill & Brennan LLP has more than 30 years of experience in assisting refiners, blenders and importers of petroleum products and renewable fuel with innovative strategies to comply with the EPA's fuel standards, and has been at the forefront of assisting industry in complying with the RFS.



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