



## *Renewable Fuels Standard And the problems that come with it...specifically gas prices*

The Renewable Fuels Standard (RFS) mandates the minimum volumes of biofuels that must be blended into our nation's transportation fuel supply, and it does so on strict timetables.

The RFS calls for annually-increasing amounts of advanced biofuels, biomass-based diesel, cellulosic ethanol, and conventional ethanol be blended by 2022, and the associated costs, namely higher prices at the pump, inevitably will be passed on to consumers.

Environment and Public Works Committee Republicans have pressed for answers and economic analysis of the RFS from Gina McCarthy, President Obama's nominee to lead the U.S. Environmental Protection Agency (EPA). McCarthy is currently the EPA Assistant Administrator for the Office of Air and Radiation.

### **Tier III Limits & Rising Gas Prices**

In late March, EPA proposed new emissions limits for passenger cars and trucks and lower limits on the sulfur content of gasoline. The proposed standard will likely **raise the cost of gasoline** for consumers up to 9 cents per gallon, and, when combined with additional fuel regulations, fuel costs could increase even more.

### **Deadlines & Renewable Identification Numbers (RINs)**

In order for manufacturers and refiners to meet RFS volumetric requirements, the industry's obligated parties must produce and/or purchase RINs, which are assigned to each gallon of renewable fuel and can be traded, used for compliance, or rolled over to the following year.

As renewable mandates increase each year and demand for transportation fuel decreases, refiners are forced to blend more biofuels into a gasoline and diesel pool that is further reduced by companies trying to minimize their RFS compliance obligation. As companies are forced to spend more money on purchasing RINs, **that extra cost will be passed to consumers.**

### **Rampant Fraud**

EPA's website lists the companies that sell RINs. However, there is no finalized system in place that verifies whether these companies actually produce the gallons of fuels that the RINs are associated with.

**This has led to producers relying on fraudulent RINs purchased from fake companies – that had been listed on the EPA website.** When the companies were

exposed as frauds, EPA held the producers responsible for purchasing illegitimate RINs, fined them for not being in compliance, and required them to purchase more RINs, **costing the companies millions of dollars.**

## **“Blend Wall” Challenges**

Due to infrastructure constraints, low consumer demand, and the majority of engines not designed or warranted to operate using fuel with more than 10 percent ethanol (E10), [a "blend wall" is in the process of being hit](#). EPA issued a waiver in 2012 to allow the introduction of 15 percent ethanol (E15), which is not approved for use in all engines therefore creating a situation ripe for “misfueling” and the voiding of manufacturers warranties. The inflated volumes of ethanol required to be blended and the volume of gasoline demand do not correspond. Market prices for ethanol RINs have skyrocketed at least in part due to the imbalance caused by the approaching "blend wall." Increased uncertainty in the RIN market, including unrealistic RFS mandates, recent fraud in the biodiesel RIN market, and decreased gasoline demand continues to drive up prices. **The volatility in this mandate-created market is passed along to consumers in the form of higher gasoline prices.**