



# **RIN Fraud & Compliance**

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## Presentation Overview

- RFS Quality Assurance Program Status
- RFS Volume Rule Summary and Status
- Compliance Deadlines
- Biointermediates Update
- RFS Registration Update
- RFS Website Redesign
- Questions?



## Why did EPA implement the QAP?

- Assure reasonable oversight of RIN generation
- Promote greater liquidity in the RIN market
- Ensure the use of required renewable fuel volumes

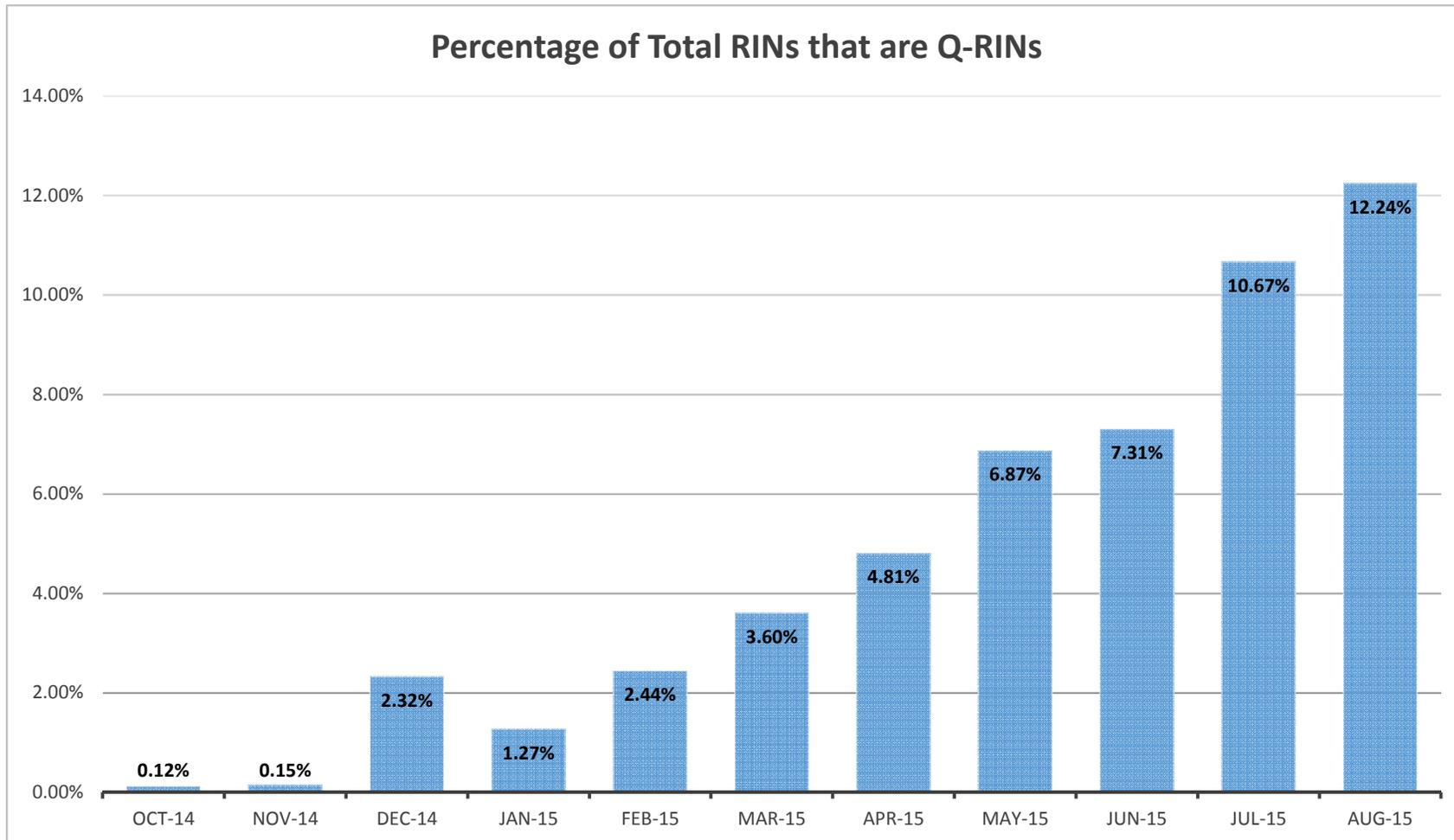


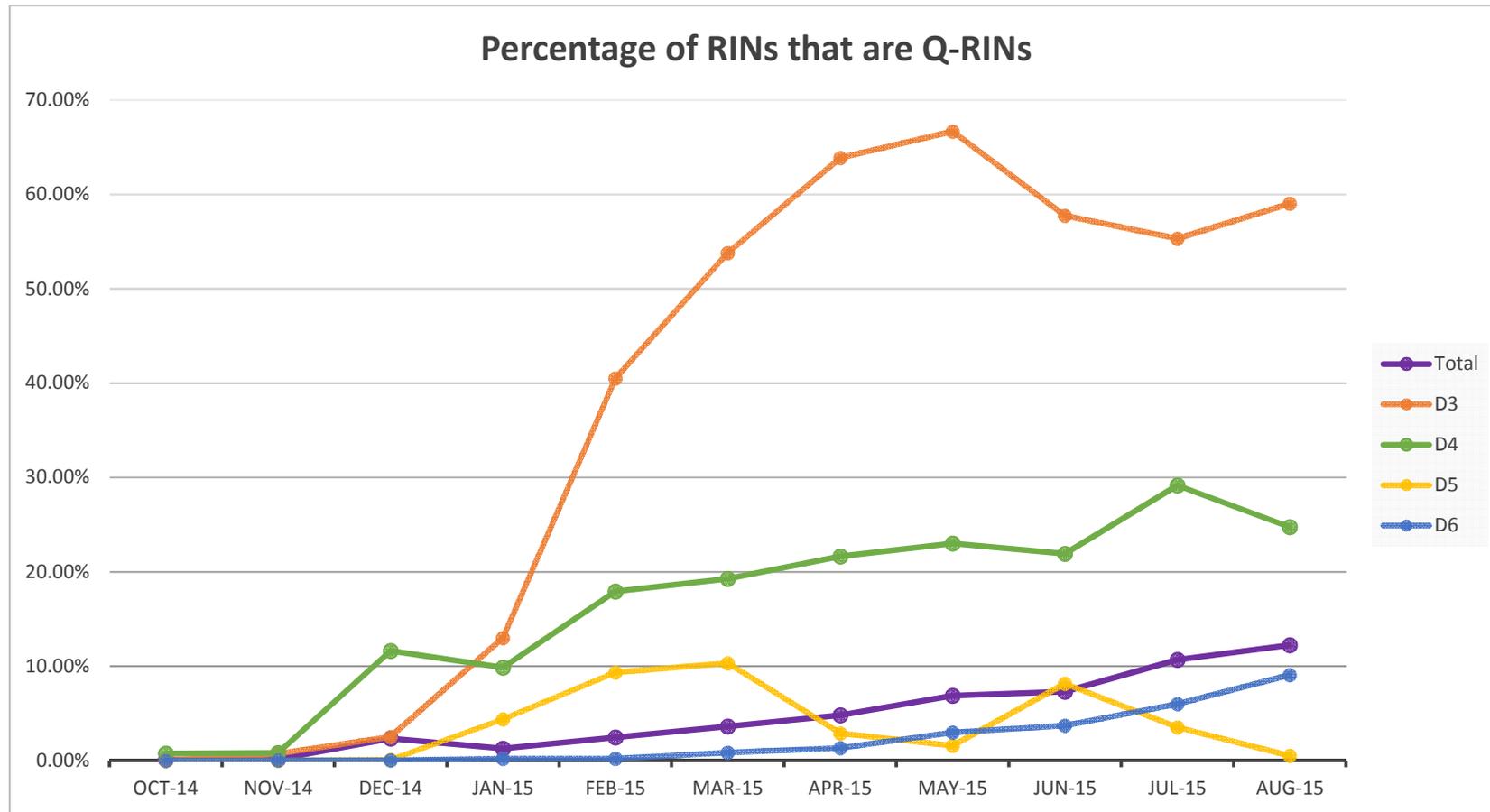
# Quality Assurance Program Updates through August 2015

- 4 companies actively providing Q-RIN QAP services
- 97 total producers participating
- Over 790,000,000 Q-RINs generated
- In August 2015 over 192,000,000 Q-RINs generated
- As of August 2015, 12.24% of all RINs are Q-RINs
- PIR (potentially invalid RIN) procedures working as designed
- Including interim program, over 1.8 billion RINs have been verified since the QAP NPRM in February of 2013



### Percentage of Total RINs that are Q-RINs







## Why Buy Q-RINs?

- Verified by an EPA approved independent third-party auditor
- Availability of affirmative defense
- 2% of RVO limited exemption for 2014, 2015, and 2016



## RIN Fraud Cases to Date

- New Energy Fuels Inc. and Chieftain Biofuels LLC (July 2010 – Feb 2012)
- Washakie Renewable Energy, LLC (January 2010 – October 2010)
- Global E Marketing, LLC (August 2010 – October 2011)
- Imperial Petroleum, Inc. and e-Biofuels, LLC (July 2010 – June 2011)
- Green Diesel, LLC (July 2010 – July 2011)
- Absolute Fuels, LLC (September 2010 – October 2011)
- Clean Green Fuels, LLC (March 2009 – December 2010)

<http://www2.epa.gov/enforcement/civil-enforcement-renewable-fuel-standard-program>



# Update on the Proposed Renewable Fuel Volumes for 2014, 2015, and 2016

- NPRM published June 10, 2015
  - <http://www.gpo.gov/fdsys/pkg/FR-2015-06-10/pdf/2015-13956.pdf>
  - Received over 670,000 comments on the NPRM
- Proposal covers Renewable Fuel Standards for calendar years 2014, 2015, and 2016, and the Biomass-Based Diesel Volume for 2017
- A public hearing was held June 25, 2015 in Kansas City
- Final rulemaking must go through inter-agency review and Office of Management and Budget (OMB) review in the White House before EPA can sign it
- EPA intends to take final action on this proposal by November 30, 2015, which will return the Agency to the program's statutory timeline for issuing RFS annual rules



## Summary of the Proposal

- The new proposal supersedes the 2014 NPRM (November 29, 2013)
- While the consent decree only addressed 2014 and 2015, the NPRM also proposed the 2016 standards for all renewable fuel categories in the same package in order to return to the statutory schedule
- NPRM includes the 2017 volume for BBD since it must be set 14 months ahead of 2017 (i.e. November 2015)
- NPRM includes one small reg change to the algal biofuel pathway to clarify qualifying microorganisms, and a set of changes to address deadlines for program compliance demonstrations and attest engagements



## General Approach to Proposed Standards

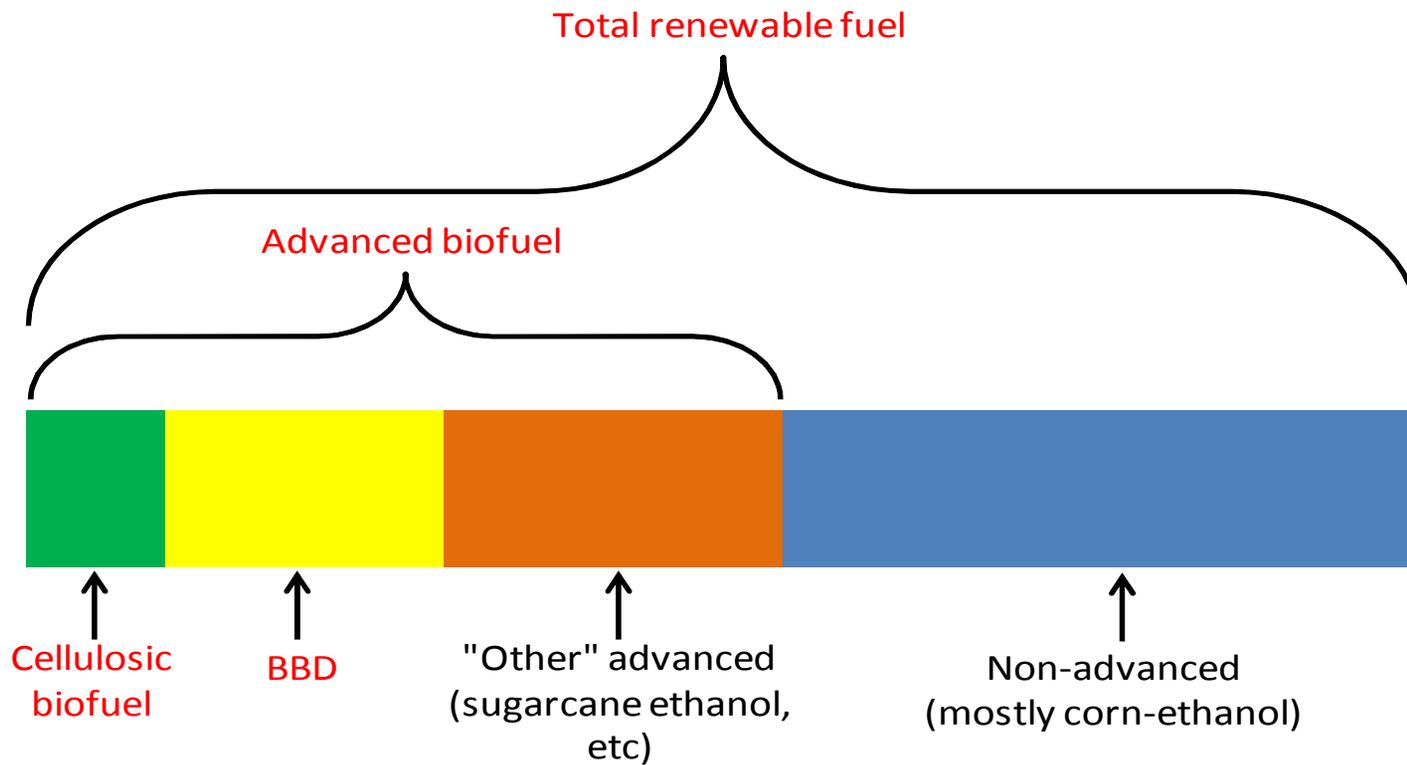
- 2014 proposed volumes would be set at the volumes actually supplied

$$\text{Supply} = \underbrace{\text{domestic production} + \text{imports}}_{\text{EMTS}} - \underbrace{\text{exports}}_{\text{EIA}}$$

- 2015 proposed volumes included a projection of growth, but tempered to account for the fact that the year is partially over
- 2016 proposed volumes would be full projections
- NPRM projects volumes that we believe the market is capable of achieving given the incentives provided by the standards
- Achievability was demonstrated by describing various scenarios for how the standards could be met



# Interaction Between Standards





## Volumes Used to Determine the Proposed Percentage Standards

|                       | 2014           | 2015           | 2016           | 2017          |
|-----------------------|----------------|----------------|----------------|---------------|
| Cellulosic biofuel    | 33 mill gal    | 106 mill gal   | 206 mill gal   | n/a           |
| Biomass-based diesel  | 1.63 bill gal  | 1.70 bill gal  | 1.80 bill gal  | 1.90 bill gal |
| Advanced biofuel      | 2.68 bill gal  | 2.90 bill gal  | 3.40 bill gal  | n/a           |
| Total renewable fuels | 15.93 bill gal | 16.30 bill gal | 17.40 bill gal | n/a           |



## Primary Issues Raised in Stakeholder Comments

- Consideration of carryover RINs
- Cellulosic carryover RINs
- Cellulosic waiver authority
- BBD standard in 2014, 2015, 2016
- Potential volume of sugarcane ethanol
- Focus on advanced biofuel
- Biodiesel exports in 2014
- Point of obligation
- Definition of supply
- Statutory factors analysis for BBD for 2015-2017
- Imports



## Compliance Deadlines Update

- EPA proposed revised annual compliance reporting and attest engagement reporting deadlines in the annual volume rule
- Generally, EPA received supportive comments about its proposed approach to staggering the deadlines



| <b>2013</b>  | <b>Revised Annual Compliance Deadline As Proposed</b> | <b>Revised Attest Reporting Deadline As Proposed</b> |
|--|---|--|
| RIN-generating renewable fuel producers and importers; other parties owning RINs | N/A   | January 31, 2016                                     |
| Independent third-party auditors   | N/A   | N/A  |
| Exporters of renewable fuel  | January 31, 2016                                      | June 1, 2016   |
| Obligated Parties  | January 31, 2016                                      | June 1, 2016   |



| <b>2014</b>  | <b>Revised Annual Compliance Deadline As Proposed</b>           | <b>Revised Attest Reporting Deadline As Proposed</b>      |
|--|---|---|
| RIN-generating renewable fuel producers and importers; other parties owning RINs | N/A   | January 31, 2016  |
| Independent third-party auditors   | N/A   | January 31, 2016  |
| Exporters of renewable fuel<br><br>January 1 – September 16, 2014                | Partial Report: March 31, 2015<br>Full Report: January 31, 2016 | Partial Report: June 1, 2015<br>Full Report: June 1, 2016 |
| September 17 – December 31, 2014   | March 31, 2015  | June 1, 2015  |
| Obligated Parties  | June 1, 2016  | December 1, 2016  |



| <b>2015</b>  | <b>Revised Annual Compliance Deadline As Proposed</b> | <b>Revised Attest Reporting Deadline As Proposed</b> |
|--|---|--|
| RIN-generating renewable fuel producers and importers; other parties owning RINs | N/A   | June 1, 2016   |
| Independent third-party auditors   | N/A   | June 1, 2016   |
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## Biointermediates Update

- What is a biointermediate?
- Biointermediates Production
- Why can't a producer use a biointermediate to make renewable fuel?
- Is EPA going to allow the use of biointermediates?



## *What is a biointermediate?*

- A biointermediate is an intermediate product that is:
  - Derived from renewable biomass
  - Processed so that it's no longer renewable biomass in its original form
  - Not already renewable fuel
  - Used to make renewable fuel for RIN generation
- Example: Biocrude to be co-processed at a refinery to make renewable gasoline/diesel
- Form changes do not constitute the production of a biointermediate
  - Some examples: chopping, crushing, grinding, pelletizing, filtering, etc.

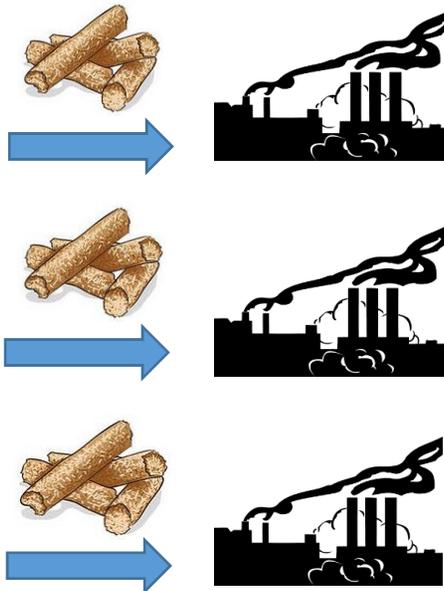


# Biointermediates Production

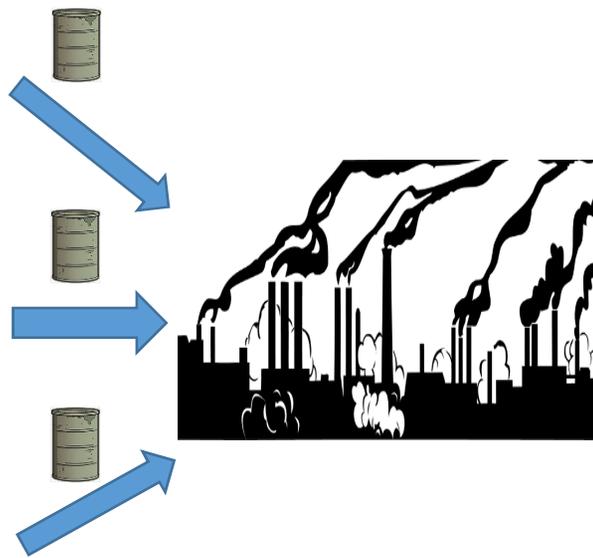
Renewable biomass collected in multiple areas



Biomass is sent to local collection/pre-processing facility to produce biointermediate



Biointermediates from multiple facilities are sent to a renewable fuel production facility



Renewable fuel is produced and distributed to blenders





## *Why can't a producer use a biointermediate to make renewable fuel?*

- The regulations at 40 CFR § 80.1401 define facility as:
  - “all of the activities and equipment associated with the production of renewable fuel starting from the point of delivery of feedstock material to the point of final storage of the end product, which are located on one property, and are under the control of the same person (or persons under common control).” (emphasis added)
- The current regulations simply do not allow for the use of biointermediates to produce renewable fuel
  - Biointermediates and the renewable fuel are not produced at one location by the same person
  - Biointermediate production feedstocks and processes may not be covered under existing pathways



## *Is EPA going to allow the use of biointermediates?*

- Currently contemplating a rulemaking to allow the use of biointermediates to produce renewable fuels
- Biointermediate producer requirements would be similar to those that apply to renewable fuel producers.
  - i.e. Biointermediates must be produced from renewable biomass using processes covered by an EPA-approved pathway.
  - Main difference is that biointermediate producers won't generate RINs.
- At a minimum, biointermediate producers would need to:
  - Register with EPA, including the submission of a third-party engineering review
  - Periodically report
  - Keep records
  - Supply renewable fuel producers with product transfer documents
- These requirements are necessary to ensure that RINs are validly generated and maintain the integrity of the RFS



## RFS Registration Updated Guidance

- We're focusing on registration procedures ahead of the January 31, 2016 deadline for many renewable fuel producers to submit 3-year updates
- Have conducted a series of webinars to provide guidance:
  - Electronic Engineering Review Form instructions
  - Engineer site visit and engineering review write-ups
  - Requirements for separated food waste plans
  - VRIN Calculations for 3-year updates
- The last webinar is on September 24, 2014 at 1:00 PM.
  - EPA staff will also be conducting a moderated Q&A session following the VRIN presentation
- Contact EPA contractors at [support@epamts-support.com](mailto:support@epamts-support.com) for more information on attending the webinar
- Highly encourage you to look at these presentations and guidance documents, available at: <http://www.epa.gov/otaq/fuels/renewablefuels/compliancehelp/index.htm>



# RFS Website Redesign

- We are excited to announce that the Fuels program has developed a new and improved website.
  - Launch date before Sept. 30
  - We will send an Enviroflash message to alert our stakeholders with more information – including “contact us” information if you have any questions
- The update focuses on improving the content management interface and improving content organization
  - Improved access via mobile devices
- The website functionality and reporting forms will not change
- We have a “contact us” link on every page
  - We are standing by to help you get where you need to go



# QUESTIONS?