

EDUCATIONAL SERIES BRIEFING NO. 10: THE PROPOSED ADVANCED FUEL STANDARD (RFS2)

by Clayton McMartin

Congress passed the Energy Independence and Security Act (EISA) in December of 2007 and as President Bush signed the ACT a new and advanced renewable fuel standard started what has turned out to be a long road to the marketplace. In fact, the regulatory process, where EPA codifies the Congressional Act into regulations, is over 2 years behind the deadline established through EISA.

The tardiness of the advance renewable fuel standard (RFS2) can be attributed to numerous factors, including such items as a Presidential election, special interest group lobbying, indirect land use assessments, and overall complexity of the new laws. Regardless of the delays, industry still anticipates an eventual RFS2 and will therefore need to be prepared for the changes.

The high level changes brought about by RFS2 when compared to the original RFS1 are:

- Under RFS2 mandated volumes apply to both gasoline and diesel used in both on-road and off-road application in the United States. RFS1 obligations apply only to on-road gasoline.
- RFS2 mandates increased dramatically over RFS1, 36 Billion by 2022 gallons/year vs. 7.5 BGY by 2012.
- RFS2 provides for “carve outs” for specific fuel types, namely biodiesel and cellulosic biofuels.
- RFS1 places a 15 BGY cap on the mandates for corn starch derived ethanol.
- RFS2 addresses greenhouse gas (GHG) contribution by establishing four categories of fuels and requiring threshold performance requirements to be met. RFS1 did not address GHG reduction.
- RFS2 places restrictions on land use in an attempt to address the food vs. fuel argument. These restrictions require renewable fuel producers to qualify their feedstocks each time they generate RINs.

This list represents the highest level of changes brought about by RFS2. Although not comprehensive, these basic changes should provide a good indication to the change in complexity that the industry faces as the legislators and the regulators become more involved with the daily business of transportation fuels.

TO illustrate just one area of the new RFS2 program, consider the obligated party. You may recall from Briefing #4 *How are RINs Used?*, that it is primarily refiners who would have a use for RINs. Under RFS2 there are 4 categories of renewable fuels, each with their own distinct RIN type. What this means to the obligated party is that they will now have to meet 4 different standards instead of just one renewable fuel standard as today. They will need to acquire and balance 4 different RIN types to be assured of compliance with the regulations. As you can see, the added degrees of freedom bring with them at least an order of magnitude in complexity.

Clayton McMartin is the President of the Clean Fuels Clearinghouse and the founder of the RINSTAR® renewable fuel registry. Hundreds of companies process renewable fuel and RINs on RINSTAR® each day. More information about the company is available at www.CFCH.com or by calling (575) 377-3369.