

RFS EDUCATIONAL SERIES BRIEFING NO. 4: HOW ARE RINS USED?

by Clayton McMartin

In previous briefings we covered the fact that RINs are utilized to track renewable fuel through the supply chain, but ultimately RINs are used to demonstrate compliance. Companies identified by EPA as “obligated parties” must meet the mandated standards in order to remain compliant with the federal law.

The typical obligated party is a company that refines crude oil and produces finished gasoline. By far the biggest portion of obligated parties are refiners, such as ExxonMobil, ConocoPhillips, Valero, BP, Shell, and Chevron. Other companies that fall under the RFS obligated party classification would be importers of gasoline into the U.S. as well as companies that buy petroleum intermediate components and blend at facilities like fuel terminals to produce finished gasoline.

Under the regulations, each of these obligated parties is then bound by the law to use their pro-rata share of renewable fuel. Recalling that the RFS is really a percentage established each year (see Briefing #1 What is the Renewable Fuel Standard?), the company multiplies their on-road gasoline production (1) times the RFS to determine their obligation. This is called their RVO or renewable volume obligation.

Obligated parties demonstrate to EPA that they have met or exceeded their RVO by the submission of RINs each year. These RINs can be acquired through the process of purchasing and blending renewable fuel into their own pool of petroleum products or by acquiring RINs from another party that has blended renewable fuel in excess of their RVO and is willing to sell their RINs to the obligated party. As you can see, central to the RFS program are provisions for credit banking and trading, with the RIN serving as the paper credit for this purpose.

(1) **FUTURE VIEW:** Under the RFS2 the program basis is extended from only on-road gasoline to now include non-road, locomotive, and marine fuels. Additionally, the RVO will be broadened to encompass four separate standards. With RFS2 come four categories of mandated fuels, resulting in four different standards each year. More details about these four different standards and how the program will work will be provided in future RFS Educational Briefings. Past briefings providing more background information are available now at www.CFCH.com.

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.