

RFS EDUCATIONAL SERIES BRIEFING NO. 5: HOW ARE RINS TRACKED?

by Clayton McMartin

The RFS regulations require that accurate records pertaining to RIN activity be maintained and summary reports be submitted to EPA each quarter (1). In principle this is a simple concept; in practice it is much more complex.

As title to product and the associated RINs are transferred from one party to the next the supplier (transferor) is required to generate and deliver documentation to their customer (transferee). As the transferee then sells to their customer, and so on down the line, the same type of documentation is required each time title is transferred. Now that each of these events has been documented, each party is required to keep the records in an organized manner and report to EPA every quarter on their activity. These standardized reports are due two months after the quarter closes (1). EPA staff members can then process the data to track the movement of renewable fuel through the supply chain and determine if all parties are in compliance.

EPA utilizes a post-audit approach to the program, where they gather data pertaining to literally millions of transactions and then process, looking for discrepancies and inconsistencies among the data. The shortcoming of this approach is the fact that possible violations are revealed months after they have occurred, making for considerable challenges in the area of enforcement and overall exposure.

An alternative approach is for companies to voluntarily participate on the renewable fuel registry where they take a proactive approach to RIN tracking and validation. By utilizing a third party verifier, companies are able to manage massive amounts of data on one standardized computing system (2). Through a centralized registry, companies are also able to conduct a more thorough job of due diligence and minimize ownership issues before they occur. The RIN program is “Buyer Beware” and any liability resulting from title defects fall to the current owner.

(1)Future View: As discussed in Briefing #2, the reporting frequency will increase under RFS2, first to monthly then to within three days of the transaction.

(2)Future View: EPA has proposed a centralized and closed system for clearing RIN transactions known as the EPA Moderated Transaction System (EMTS). EPA has stated that they hope to bring increased confidence to the marketplace with EMTS – schedule to go into effect in 2011. More details will be provided about EMTS in future 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.