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From: Williams, Brendan
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Subject: RFS Follow Up Documents
20170412 RIN Analysis.xlsx
20170222 PBF POOB CMT FINAL SIGNED.pdf

Samantha, Brittany and Amanda-

Thanks again for your time last week. I apologize for the duplicative email, but I wanted to send the meeting request note separately so it would be easier to forward around internally. The note below and attached documents contain follow up information regarding the RFS issues I raised last week.

RFS Data

Attached is an electronic version of the spreadsheet I showed you that compares volumes currently promulgated under this year's RVO (and next year's in relation to biodiesel) with projected production or consumption (in relation to conventional ethanol) from EIA. The first tab presents all the data in gallons. The second tab presents ONLY the biomass based diesel (BBD) figured in RIN equivalents (since one BBD gallon is worth 1.5 RINs), with everything else in gallons (since the RIN to gallon ratio is one to one for all other requirements).

As you will see, domestic biofuel production this year will fall short of the 2017 RVO, likely leaving a shortage of RINs. The same would apply to 2018 if the 2017 RVO held constant. The numbers for domestic production projections are based on EIA's STEO. A few points to note to put this in perspective:

1) From a RINs perspective, it appears the industry will need to rely on banked RINs for compliance this year to the tune of over one billion RINs. EPA has continuously said it does not want banked RINs to be *necessary* for compliance, but that seemingly will be the result of this year's requirement. While the RIN bank is somewhat of a mystery, I have heard it consists of about 2 to 2.5 billion gallons.

a. A shortfall of RINs will make a significant dent in the RIN bank.

- 2) The overall projected shortfall for 2018 exceeds 730 million RINs. Depleting the RIN bank this significantly two years in a row will make the market even tighter.
- 3) You can also see we will likely rely on over 740 million foreign BBD gallons to comply with the mandate for 2017. There is currently an anti-dumping case against Argentinian BBD (which makes up all the foreign BBD). If it is successful, this will only increase the cost of compliance further.
- 4) The de-facto conventional mandate is presented in projected domestic CONSUMPTION, NOT production. This is important to highlight how the mandate exceeds the blendwall. The other projected numbers are in domestic production because either a) required volumes are being met entirely via domestic production or b) in the case of biodiesel, to highlight domestic production versus consumption of foreign biodiesel.

Please let me know if you have any questions or would like to discuss these figures in more detail.

PBF Point of Obligation Comments

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The second attachment is the set of comments PBF submitted on the point of obligation proposed denial. Our comments highlight how we are exporting more than we naturally would due to RIN costs. They also summarize and contain a NERA study showing that merchant refiners cannot recover the majority of their RIN costs. Additionally, the comments contain information on the impact of RIN costs on merchant refiners at large, profits and unnatural market advantages non-obligated blenders and integrated refiners experience due to the misaligned point of obligation and data showing that the current point of obligation is not incentivizing more biofuel blending as the program envisioned. If you get a chance to read these comments and have any questions, please don't hesitate to give me a ring.

Regards,

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