

**To:** Gunasekara, Mandy[Gunasekara.Mandy@epa.gov]; Bolen, Brittany[bolen.brittany@epa.gov]; Dravis, Samantha[dravis.samantha@epa.gov]  
**From:** Williams, Brendan  
**Sent:** Mon 6/19/2017 4:02:40 PM  
**Subject:** Cellulosic and Advanced RIN Generation to Date  
20170616 D3 RIN Estimate Cases.xlsx

I hope you all are doing well. I wanted to share the below and attached information to provide insight into RIN generation to date relating to the cellulosic and advanced categories, as well as the implications of the figures for both this year's RIN market and next year's RVO. I used EPA data on RIN generation to date to develop the attached spreadsheet. Here's the EMTS link for quick reference if you want to look at the source in conjunction with the spreadsheet:

<https://www.epa.gov/fuels-registration-reporting-and-compliance-help/2017-renewable-fuel-standard-data>

Here is a topline summary of everything in this note:

- **Data shows that D3 RIN generation (cellulosic) is likely to hit only 206.971 million this year.** In an extremely optimistic case, where you use the highest monthly RIN generation from last year, D3 generation only nets out to be 286.133. Both figures **fall short of the 311 million gallons required for this year.** In light of this reality, targets higher for next year would be extremely problematic.

- **D5 RIN generation is on pace to be only about 74.6 million gallons, with an upper limit in an extremely optimistic case of 158 million gallons. This is WELL short of the 1.28 billion RINs that will need to be generated** above and beyond the biodiesel mandate. Since there are no Brazilian ethanol cargoes currently scheduled due to even higher costs, this has the effect of de facto significantly increasing the biodiesel mandate, which is very costly since the domestic industry is only on track to produce 1.57 billion gallons this year. This domestic production figure means we'll need at least 745 million gallons of foreign biodiesel to comply. This was not the intent of the program.

- The anti-dumping/countervailing duties petition before the Department of Commerce, which seeks to impose significantly higher costs on foreign biodiesel, would create even more problems given the gap between what is mandated and domestic production.

- Given these realities, higher targets for next year, or even maintaining this year's figures moving forward, would be extremely problematic.

## **MORE DETAIL:**

### **Cellulosic RIN generation NOT on pace to meet the 2017 requirement.**

For more detail, the first tab on the spreadsheet estimates potential 2017 RIN generation using an averaging methodology. Historically, D3 RIN generation is really high in December and really low in January. To correct for this, rather than using the very low January 2017 RIN generation data, I averaged December 2016 and January 2017. I used that number (15.5 million) for the January and December value respectively. Then I took average monthly RIN generation number (again, using a corrected figure for January) and plugged it in for each month for the rest of the year, except December, where I again used the December/January correction figure. This results in only 206.971 million RINs generated, more than one hundred million FEWER gallons than the 2017 requirement. (NOTE: If I used actual January generation, this number would be millions of gallons LOWER.)

The second tab looks at the pace of RIN generation by month (e.g. how much RIN generation has increased each month) with the January/December correction and extends the trend throughout the year. This method yields only 254.4 million cellulosic RINs, which is more than 60 million gallons short of the 2017 requirement.

The third tab looks at RIN generation to date, with the January/December correction, and then plugs the highest RIN generation month from last year (December) into each month for the rest of the year. This is the most extremely overly optimistic case one could develop and it still yields only 286.133 million RINs.

Bottom line is that it is extremely hard to justify not LOWERING the cellulosic targets for 2018, since even the most optimistic assessment on this year falls short of the 2017 requirement.

Note that all cellulosic RIN generation is from biogas too, NOT cellulosic ethanol. POET and DuPont have indicated their plants will only produce a few million gallons of cellulosic ethanol each, well short of their 25 and 30 million gallon nameplate capacity respectively.

## **Advanced Biofuel**

-

The D5 category doesn't have the same January/December anomaly as D3, so using a straight averaging or trend analysis are the easiest paths to take for projection purposes. Using these methodologies, the projected range for non-biomass based diesel advanced biofuel (again, based on RIN generation thus far) is between about 86 and 158 million gallons. This is well short of the extra 1.28 billion RINs that will be needed to fulfill the advanced mandate (when you consider the mandate will require generating 3 billion biodiesel RINs from the 2 billion gallons mandated given the 1.5X weight of BBD RINs). More realistic projections based on actual RIN generation, rather than my averaging and "high optimism" methods described above, indicated only 74.6 million gallons of non-biomass based diesel D5 RINs will be generated, primarily given the fact that there are no Brazilian ethanol cargoes currently scheduled, since that fuel is uneconomic at this time (even though the RIN market is currently bullish). I'm happy to send a spreadsheet with these figures too.

Thus, increasing the advanced number only serves to de facto substantially boost the biodiesel mandate. Since we are only on track to produce 1.57 billion gallons of biodiesel (or 2.335 billion RINs), this means we will need a LOT more foreign biodiesel to comply with the program. As mentioned above, the anti-dumping/countervailing duties petition complicates this further. This certainly was not the intent of the program.

Let me know if you have any questions.

Regards,

Brendan Williams

Government Relations

**PBF Energy**

601 Pennsylvania Avenue, NW

Suite 900 South

Washington, DC 20004

O: (202) 434-8254

M: (703) 863-6825

[brendan.williams@pbfenergy.com](mailto:brendan.williams@pbfenergy.com)

[www.pbfenergy.com](http://www.pbfenergy.com)



---

DISCLAIMER: This e-mail message and any attachments are intended solely for the use of the individual or entity to which it is addressed and may contain information that is confidential or legally privileged. If you are not the intended recipient, you are hereby notified that any dissemination, distribution, copying or other use of this message or its attachments is strictly prohibited. If you have received this message in error, please notify the sender immediately and permanently delete this message and any attachments.