RENEWABLE FUELS ASSOCIATION

<u>The RFS and RINs</u>

- **The RFS is working as intended and should <u>not</u> be altered.**
    - The RFS drives expansion of renewable fuel production and consumption.
    - The RFS adds value to agricultural crops and boosts the farm economy.
    - Under the RFS, the ethanol industry supports more than 350,000 jobs, mostly in the agriculture and manufacturing sectors.

- **RINs are the engine that drives the RFS forward**.
    - Every gallon of ethanol produced has a RIN attached. The RIN has no value until it is detached when the ethanol is blended with gasoline. In other words, RINs are provided **"free of charge"** when refiners and blenders purchase ethanol.
    - Most refiners acquire the RINs they need by buying and blending renewable fuels that come with RINs attached. However, some merchant refiners comply with RFS obligations by purchasing RINs from other refiners and blenders.
    - **RINs drive investment** in the distribution/retail infrastructure for higher ethanol blends like E15 and E85 and they **allow fuel marketers and retailers to reduce the retail price** of higher blends.

- **Merchant refiners recover the cost of RINs through higher wholesale fuel prices.**
    - The EPA, Harvard, MIT, University of Michigan, Iowa State University, refiners like Tesoro and Marathon, and the API all agree that refiners offset RIN costs through higher wholesale prices for refined products.
    - Many refiners who are obligated parties under the RFS are currently enjoying **record or near-record profits** and **stock performance**.

- **The RFS and RINs support corn prices.**
    - RINs drive ethanol demand above the E10 "blend wall"…which in turn stimulates increased ethanol production…which in turn stimulates increased corn demand and strengthens corn prices.
    - A recent academic journal study found corn prices would be as much as 25% lower without the RFS in place.

- **A 10-cent cap on RIN prices would undermine the purpose of the RFS, weaken the corn and ethanol industries, and threaten jobs in agriculture and manufacturing**.
    - Capping RIN prices at 10 cents would drastically reduce the incentive to expand ethanol blending above the "blend wall," **locking the market into an E10 ceiling**.
    - A RIN price cap would immediately translate into lower ethanol production and consumption, lower corn demand, a larger corn surplus, and weaker corn prices.
    - With corn prices already at or below the cost of production, a RIN price cap would **further weaken corn prices** and **exacerbate the crisis** developing in the ag sector.

- **The most direct and rational approach to lowering RIN prices would be to extend the 1-psi RVP waiver to E15 and other higher ethanol blends.**
    - Allowing year-round sales of E15 would increase the production and use of ethanol, increase the supply of RINs available for compliance, thus lowering their price.
    - However, meaningful RIN values are necessary to help drive this potentially rapid expansion of E15. Thus, if RINs are capped at 10 cents, an RVP waiver for E15 would do little or nothing to drive growth in ethanol consumption.