

Subject: RIN Informational Document

Date: December 16, 2019

The Issue

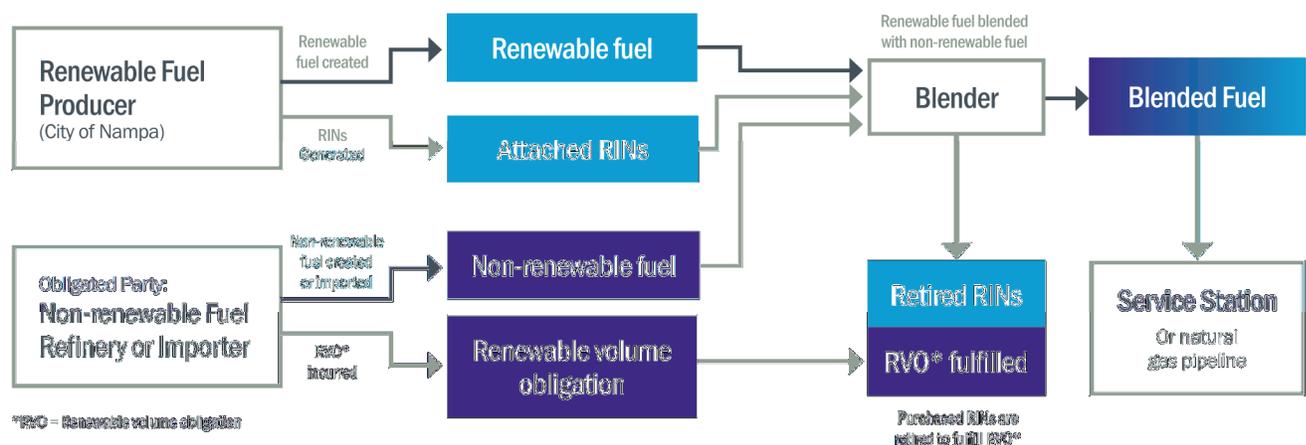
In Design Review Committee Meeting #10 the Technical Team presented the Biogas Resource Recovery analysis to the DRC. Renewable Identification Numbers (RINs) are critical to understanding the economics of renewable energy generation and resource recovery. The DRC Requested an informational document describing RINs in more detail.

Background and Analysis

The Renewable Fuel Standard Program was created by the United States Congress to reduce reliance on imported oil and expand the nation’s renewable fuels sector. This program was authorized under the Energy Policy Act of 2005 and then later revised, and expanded, under the Energy Security and Independence Act of 2007. The Renewable Fuel Standard Program established a market where renewable energy could be tracked. Renewable energy that entered the market was assigned a Renewable Identification Number (RIN), which enabled it to be bought or sold.

The Renewable Fuel Standard Program also designated Obligated Parties, refineries and importers that are required to purchase RINs. Obligated Parties are required to meet a Renewable Volume Obligation (RVO) each year, which is set by the United States Environmental Protection Agency (EPA) and is used to determine how many RINs Obligated Parties must submit to the EPA to be in compliance.

Obligated Parties maintain compliance by blending renewable fuel with a non-renewable fuel, using the assigned RIN that is directly associated with the fuel. The RINs are separated from the renewable fuel once blended because at that point the RVO has been fulfilled. Alternatively, the RVO can be met by acquiring RINs that represent the required renewable fuel volume, using a separated RIN, formerly assigned with a batch fuel.



RIN sales can be either brokered or direct. The former approach requires less effort on the part of the renewable fuel producer because the broker locates buyers and handles the RIN transaction. However, the broker receives a cut of the revenue (approximately 10 percent to 15 percent). The latter approach requires the

renewable fuel producer to enter a direct contractual relationship with an Obligated Party for the purchase of the RINs produced. In addition, RIN production requires an ongoing, annual third-party audit for verification.

The price of RINs is influenced by EPA policy. RIN price rose steadily from when the EPA started tracking it in 2015 until early 2018 when EPA policy changed, and the price began to drop. The falling RIN price is likely due to the EPA administration granting RVO exemptions to more refineries. These exemptions are granted if a small refinery can demonstrate that compliance with the RVO would cause the refinery to suffer disproportionate economic hardship. It is unknown whether these exemptions will continue in the future.

Potential Consequences

The value of RINs changes the recommended approach to Biogas Resource Recovery. Stability in the market would help the DRC make informed decisions. Biogas Resource Recovery would require additional capital to be included in the Nampa WWTP Phase II Upgrades that has not been budgeted.

Recommendation

This DRC briefing is intended to provide background information as the Nampa WWTP Phase II Upgrades project progresses.