

EPA's Proposed RFS “Set 2” Rule

Fact Sheet: Set 2 Volume Requirements and RIN Reductions



Renewable Fuel Standard

EPA's Proposed RFS "Set 2" Rule Fact Sheet: Set 2 Volume Requirements and RIN Reductions

The U.S. Environmental Protection Agency (EPA) is taking a major step forward to strengthen American energy security and support American farmers by proposing Renewable Fuel Standard (RFS) volume requirements for 2026 and 2027. The proposed rule sets new volume requirements and makes a series of proposed changes to the program. Collectively, the proposed package represents a critical and much-needed step in the evolution of this important program.

Putting American Feedstock Producers First

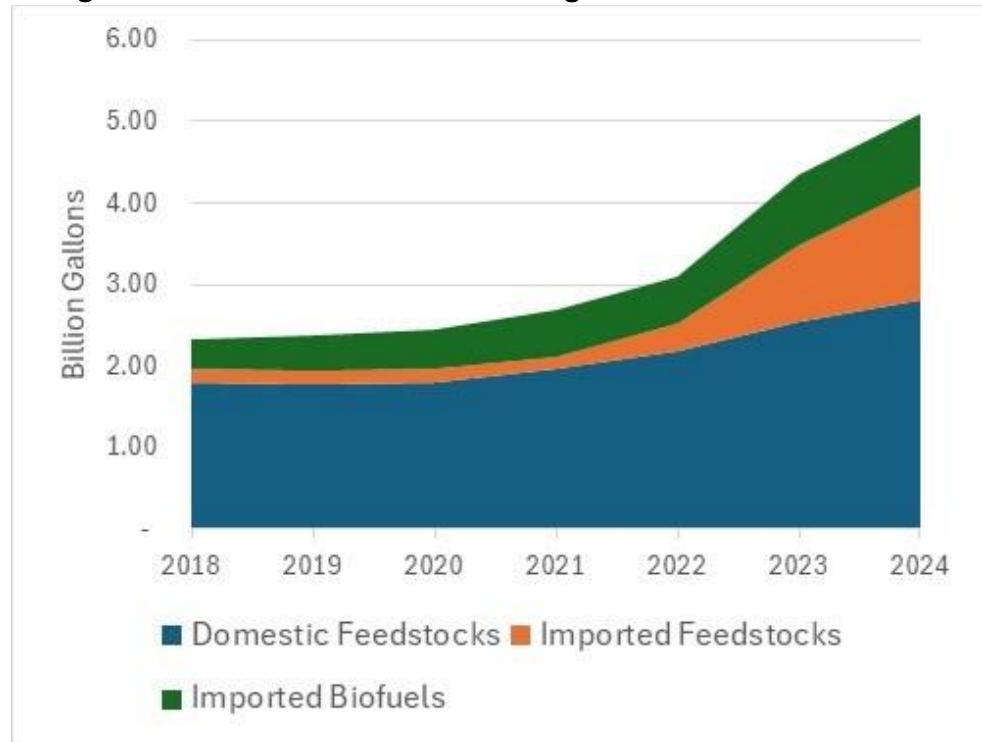
As part of the Set 2 Proposed Rule, EPA is proposing to modify the value of a RIN based on whether the biofuel is derived from domestic or foreign sources. Specifically, EPA is proposing to amend RFS regulations so that foreign biofuels and feedstocks would only generate 50 percent of the RIN value relative to domestic biofuels and feedstocks. By reducing the value of the RIN for foreign biofuels and feedstocks, it will decrease America's reliance on imports, promote U.S. production, strengthen support for rural agricultural sectors, and increase American energy security.

EPA is proposing this change in light of the significant growth in imports the program has seen in recent years. The table below, based on EPA data, shows the sharp uptick in volumes of biofuels used in the RFS program that are either imported from foreign countries or produced in the U.S. but from foreign feedstocks.



Renewable Fuel Standard

Rising share of biofuels derived from foreign countries



Proposal details

Under this proposed approach, renewable fuel producers and importers would generate 50 percent fewer RINs than they generate for the same volume of import-based renewable fuel under the current RFS regulations.

Renewable fuel produced by domestic renewable fuel producers using domestic feedstocks would continue to generate the same number of RINs that they currently do.

The import RIN reduction would apply to all foreign-produced renewable fuel, regardless of whether those fuels are produced from domestic or foreign feedstocks.

The reduction of RINs generated for import-based renewable fuel reflects the reduced economic and energy security benefits provided by these fuels relative to renewable fuels produced domestically using domestic feedstocks.



Renewable Fuel Standard

Strong, balanced growth targets for renewable fuel production over 2 years

The Set 2 Rule proposes the biofuel volume requirements and associated percentage standards for cellulosic biofuel, biomass-based diesel (BBD), advanced biofuel, and total renewable fuel for 2026 and 2027.

If finalized, the volumes proposed in this action would be the highest volume requirements ever under the RFS program.

The proposed volumes will help support domestic producers of feedstocks like soybean oil, which is used to make biodiesel and renewable diesel. EPA is proposing to retain the statutory target of 15 billion gallons for conventional ethanol, which is critical to support U.S. domestic bioenergy production.

Proposed Volume Requirements 2023 – 2027 (billion RINs)

| <i>Billion RINs</i> | Volume Requirement Established in Set 1 Rule | | | Proposed Volume Requirements | |
|---|---|-------|-------|-------------------------------------|--------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Cellulosic biofuel | 0.84 | 1.09 | 1.38 | 1.30 | 1.36 |
| Biomass-based diesel (RINs) | 4.51 | 4.86 | 5.36 | 7.12 | 7.50 |
| <i>Biomass-based diesel (gallons) – projected</i> | 2.82 | 3.04 | 3.35 | 5.61 | 5.86 |
| Advanced biofuel | 5.94 | 6.54 | 7.33 | 9.02 | 9.46 |
| Total renewable fuel | 20.94 | 21.54 | 22.33 | 24.02 | 24.46 |
| Conventional (implied mandate) | 15.00 | 15.00 | 15.00 | 15.00 | 15.00 |

One RIN is equivalent to one ethanol-equivalent gallon of renewable fuel. Through 2025, the BBD volume requirement was established in physical gallons rather than RINs. We are proposing to now specify the BBD volume requirement in RINs, consistent with the other three renewable fuel categories, rather than physical gallons.

The RFS program establishes a set of nested volume requirements. Cellulosic biofuel and biomass-based diesel also qualify towards meeting the advanced biofuel and total renewable fuel volume



Renewable Fuel Standard

requirements. Further, volumes of cellulosic biofuel and biomass-based diesel can be used to satisfy the advanced biofuel and total renewable fuel volume requirements.

The *supply* of each type of renewable fuel EPA projects will be used to satisfy the proposed standards are shown in the table below – these numbers are intentionally different from the volume *standards* in the table above.

| Billion Gallons | Projected Volume in the Set 1 Rule | | | Projected Volume to Meet the Proposed Volume Requirements | |
|-----------------------------|------------------------------------|-------|-------|---|--------------|
| | 2023 | 2024 | 2025 | 2026 | 2027 |
| Cellulosic biofuel | 0.84 | 1.09 | 1.38 | 1.30 | 1.36 |
| Biomass-based diesel | 3.71 | 3.85 | 4.24 | 6.83 | 7.16 |
| Other advanced biofuel | 0.23 | 0.23 | 0.23 | 0.19 | 0.19 |
| Conventional renewable fuel | 13.85 ^b | 13.96 | 13.78 | 13.78 | 13.66 |
| Total renewable fuel | 18.63 ^b | 19.12 | 19.63 | 22.10 | 22.37 |

More detail on specific categories of renewable fuel

Conventional Renewable Fuel

Corn ethanol accounts for the vast majority of the conventional renewable fuel in the RFS program. Since 2017 EPA has consistently set the RFS standards to allow for up to 15 billion gallons of corn ethanol to be used towards meeting the RFS standards. The Set 2 rule again proposes volumes that would allow for 15 billion gallons of corn ethanol.

Biomass-Based Diesel

Biomass-based diesel, which includes biodiesel, renewable diesel, and renewable jet fuel, can be made from multiple different feedstocks, including soybean oil, tallow, and used cooking oil. Under our Set 2 proposal, this is the category of renewable fuel projected to experience the most significant growth in 2026 and 2027.

EPA's projections in this area are consistent with the significant growth in the supply of these fuels, particularly renewable diesel, observed in recent years.



Renewable Fuel Standard

In determining the proposed volume, EPA considered many factors, including production capacity, the availability of qualifying feedstocks, historical trends, costs, and several others. We placed special emphasis on projecting available qualifying feedstocks, as we determined this factor was most likely to limit biomass-based diesel production in future years.

In this proposed rule we project that all of the growth in the supply of biomass-based diesel in 2026 and 2027 would come from domestic renewable fuel production from domestic feedstocks (mostly domestic soybean oil). We also project that imported biofuels and feedstock will continue to be supplied to the market, but that over time these fuels will represent a decreasing share of the biomass-based diesel supply.

Cellulosic Biofuel

In this action we are proposing a change in the way we project cellulosic volumes. Doing so will help avoid the need for waivers of the RFS standards in the future. We look forward to engaging with stakeholders on our proposed new approach.

In the Set 2 proposal, EPA projects that the majority of the cellulosic biofuel used as transportation fuel will continue to be renewable natural gas, with smaller volumes of ethanol produced from corn kernel fiber. We looked both at production of renewable natural gas and consumption – based on projections of fuel consumption by the CNG/LNG vehicle fleet – and for 2026 and 2027 EPA projects that the quantity of renewable natural gas used as transportation fuel will be limited by the number of vehicles capable of using natural gas. We project that the number of natural gas vehicles will grow slowly over time, increasing the potential market for renewable natural gas to be used as transportation fuel.

In this rule EPA is also proposing to reduce the 2025 volume requirement for cellulosic biofuel due to a projected shortfall in cellulosic biofuel production.

Implementation

To ensure that renewable fuel producers are generating the appropriate number of RINs, EPA is proposing several new requirements. We have designed these requirements to be minimally burdensome while protecting domestic feedstock producers.



Renewable Fuel Standard

In general, we are proposing that all domestic renewable fuel producers be required to keep records of feedstock purchases and transfers (e.g., bills of sale, delivery receipts) that identify the feedstock point of origin for each feedstock and report this information to EPA. We expect that most domestic renewable fuel producers already keep such records as part of their existing business practices or other existing RFS recordkeeping requirements, and thus there should be no additional recordkeeping burden for most of these producers. The feedstock point of origin would depend on the feedstock type is generally the location, either domestic or foreign, where a feedstock is grown, produced, generated, extracted, collected, or harvested.

More detail on the proposed requirements, including the definition of the point of origin for various feedstocks, can be found in the proposed rule.