

E15–SRE Legislative Amendment

What the Bill Does vs. What the Bill Does Not Do

WHAT THE BILL DOES	WHAT THE BILL DOES NOT DO
<p>Grants a nationwide 1-psi RVP waiver for E15 so E15 can be offered in the summer fuel season nationwide, subject to applicable fuel quality and retail/terminal constraints. E15 is already offered in other months.</p>	<p>Does not mandate E15 sales or require retailers to offer E15. It provides legal certainty/optionality to sell E15; it does not create a blending or marketing requirement.</p>
<p>Nullifies the Midwest Governors’ petitions to remove the 1-psi RVP waiver for E10 (maintains current E10 volatility treatment and avoids a patchwork market). This will smooth out fuel specifications in Midwest states and improve fuel fungibility.</p>	<p>Does not remove E10 from the market or force a switch away from E10. It preserves existing E10 treatment and helps avoid regional fuel disruptions.</p>
<p>Reforms the Small Refinery Exemption program by prohibiting reallocation of exempted volumes starting in compliance year 2028 (prevents waived gallons from going on other refiners’ tabs after the fact).</p>	<p>Does not “increase the Renewable Volume Obligation” by shifting exempted gallons onto other refiners after 2028. This is the opposite of reallocation, removing the mechanism that can spike obligations on non-exempt parties.</p>
<p>Changes eligibility from “small refinery facility” to “small refining company” at 75 kbpd so large companies cannot claim “small” status through multiple facilities and skirt the 20-year-old RFS law</p>	<p>Does not eliminate relief for truly small operators. It preserves a small-company pathway while preventing large, well-capitalized firms from using facility-by-facility eligibility to claim “small” status.</p>
<p>Terminates the current SRE petition process on July 1, 2028, and requires EPA to resolve all pending petitions by Oct. 1, 2028 (adds certainty and ends perpetual retroactive petitioning).</p>	<p>Does not create an open-ended exemption program. It provides a two-year runway for companies, closes the existing petition pathway on a date certain and forces backlog resolution, rather than continuing retroactive uncertainty indefinitely.</p>
<p>Provides small refining companies with an automatic 75% exemption starting in 2028 (approx. 480 million RINs) for those that remain under the 75 kbpd company threshold.</p>	<p>Does not create a “free pass” for large refiners. The automatic relief is limited to entities that remain under the small-company definition and are paired with</p>

WHAT THE BILL DOES	WHAT THE BILL DOES NOT DO
	disqualification if they exceed the threshold.
<p>Applies the “small refining company” definition retroactively to Jan. 1, 2025 (aligns eligibility rules to the new standard for the covered period).</p>	<p>Does not rewrite RFS compliance obligations for the entire program. The retroactivity is targeted to the definition/eligibility construct beginning in 2025, not a broad rewrite of statutory volume requirements.</p>
<p>Permanently disqualifies companies from the automatic exemption if they grow beyond 75 kbpd (prevents gaming and ensures the relief remains targeted).</p>	<p>Does not incentivize “growth into exemption.” If a company grows beyond the threshold, they lose the automatic exemption permanently.</p>
<p>Directs EPA to propose and finalize a rule addressing E15 infrastructure requirements (creates a clear regulatory pathway for equipment/labeling/compatibility issues).</p>	<p>Does not waive safety, compatibility, or existing fuel quality standards. EPA rulemaking still must follow normal process; the bill simply requires action and clarity.</p>
<p>Includes limited relief for certain retroactive SRE issues from 2016–2018 (addresses discrete legacy problems and closes the loop).</p>	

● Myth: E15 is providing an additional “tax” on small refiners/all refiners and will increase RVO/obligation under the RFS.

✓ Fact: The RFS impacts all obligated refiners equally; there is a cost associated with meeting RVOs, not a targeted extra tax on any one group.

- Under the Renewable Fuel Standard (RFS), obligated parties (refiners and importers) must either blend renewable fuels into transportation fuel or purchase compliance credits called RINs to meet annual Renewable Volume Obligations (RVOs).
- Small refinery exemptions (SREs) temporarily relieve qualifying small refineries from these obligations, do not create a surcharge or tax; rather, they exempt a defined volume from the obligation to blend fuel or buy RINs. EPA grants SREs only after a refinery demonstrates an undefined “disproportionate economic hardship.”

- All refiners participating in the RFS bear compliance costs through either blending economics or RIN markets. The RFS does not impose an extra, novel “tax” exclusively because of E15 expansion or legislative reform language.

● Myth: *Extending the 1-lb RVP waiver to E15 is a mandate.*

✓ Fact: *Extending the 1-lb Reid Vapor Pressure (RVP) waiver to E15 allows optionality for retailers to sell E15 year-round—it is not a sales mandate.*

- Under the Clean Air Act, gasoline with up to 10% ethanol (E10) receives a 1-psi RVP waiver during the summer driving season (June 1–September 15), allowing retail sale without violating summer volatility limits.
- Because E15 legally did not receive this waiver, it was effectively prohibited from summer sale in many regions—not by mandate but by regulatory constraint.
- Extending the 1-lb RVP waiver to E15 simply provides the legal ability to sell it year-round where retailers choose to stock it; no requirement forces them to do so. Retail participation remains voluntary.

◆ Question: What is a “small refiner” under the proposed legislative concept?

✓ Answer: *Current law defines “small refinery” on a per-facility basis; the proposal changes it to a per-company basis to better target true small refining companies.*

- Under the existing RFS, a “small refinery” is generally defined as a facility with annual average crude throughput of ≤75,000 barrels per day. EPA grants exemptions based on that definition and demonstration of economic hardship.
- The legislative proposal would modify that definition to apply to an entire company’s throughput rather than each separate facility, meaning only firms whose total throughput is ≤75,000 bpd would qualify under the new approach.
- This change logically excludes larger, multi-facility refiners, nearly all of which are billion-dollar conglomerates, from claiming SREs and focuses exemptions on the smallest market participants.

● Claim: *If small refinery exemption changes are made, smaller facilities will close.*

✓ Fact: *Eligibility changes do not inherently threaten refinery viability; many small refineries are financially healthy, and multiple RFS compliance options exist.*

- Small refineries that lose SRE eligibility are not necessarily at risk of closure—many publicly traded companies with small assets have highlighted competitive performance through dividends and stock buybacks, signaling financial viability even under existing compliance obligations.
- The SRE program did not grant exemptions for more than six years in past periods, and those facilities did not suffer widespread closures during that time.
- The RFS compliance framework includes multiple avenues for meeting obligations (blending, RIN markets), allowing refiners flexibility without forcing closure.

● **Myth: *This deal is just big refiners and big agriculture picking on small refiners.***

✓ **Fact: *The legislative proposal strengthens certainty for true small refining companies and creates automatic exemption pathways.***

- Today, small refineries must petition EPA annually for SREs, a process subject to political and administrative variability. Reform would create automatic 75% exemptions starting in 2028 for companies meeting the new definition, reducing administrative burden and litigation risk over future exemptions.
- This provides greater certainty than the current ad-hoc petition process and removes annual hardship determinations that can be unpredictable.

● **Claim: *The rug is being pulled out from under the small guys.***

✓ **Fact: *The reform proposal phases changes responsibly and preserves eligibility through 2028 while establishing future automatic protections where appropriate.***

- The exemption bridge was never intended to be permanent but rather to provide time for small refiners to develop compliance strategies under the RFS, which is now a 20-year-old law
- Under reform, facilities currently eligible for SREs will remain so through July 1, 2028, allowing planning time and transition to compliance strategies.
- After 2028, companies that meet the revised “small refining company” definition will still receive exemptions, but they will be automatic, preserving options for true small refiners while removing structural advantages for larger firms.

● **Claim: *Small refiners cannot comply with the program because they lack blending investments.***

✓ **Fact: *The RFS provides multiple compliance pathways, including RIN markets, which deliver flexibility if on-site blending is not feasible.***

- Obligated parties can meet their RFS RVOs by:
 - Physically blending renewable fuels to separate RINs.
 - Purchasing RINs in the market from others who make or blend renewable fuel.
 - Carry forward obligations for an additional year.
 - Applying for SREs where hardship is shown.*
**Current proposal would change this compliance option.*
- RINs are a tradable compliance credit based on volume of biofuel blended; companies without blending infrastructure can access RINs via the RIN market, with prices typically reflected in fuel crack spreads and ultimately influencing retail pump prices.
- EPA analysis determined small entities subject to an RFS obligation (e.g. small refineries) have no net cost resulting from the RFS program, generally recover the cost of acquiring RINs necessary for compliance with the RFS, and the cost of RFS compliance is passed along to consumers.

- The flexibility of the RIN market ensures access to compliance even for firms without large blending footprints.

● Claim: If the Small Refinery Exemption language is controversial, why not just pass the E15 language alone?

✓ Fact: E15 expansion and SRE reform were negotiated as a balanced compromise to address broader RFS market distortions and provide regulatory certainty across the fuel value chain.

- The RFS program has structural challenges, including reallocation of exempted volumes, which all refiners view as market-distorting and unfair. Reform efforts aim to stop reallocation of exempted volumes, a top industry concern.
- Allowing year-round E15 will expand demand for ethanol, but the rules around SREs dictate how that demand will be incorporated into the RFS RVOs. Passing only E15 language without addressing small refinery exemptions would leave unresolved issues that continue to impact both biofuel demand and refiner compliance certainty.
- The negotiated package secured broad stakeholder support by balancing E15 retail access with meaningful reforms to SRE mechanics—a compromise designed to deliver certainty and stability to both fuel producers and refiners.

<u>RENEWABLE FUEL STANDARD (RFS) 101</u>	
A federal program requiring renewable fuels like ethanol and biomass-based diesel to be used in the U.S. fuel supply. EPA sets annual blending targets that determine nationwide compliance obligations.	
<u>RENEWABLE IDENTIFICATION NUMBER (RIN)</u>	<u>OBLIGATED PARTY</u>
A tradable compliance credit generated when renewable fuel is produced or imported. Obligated parties use RINs to demonstrate compliance, with costs reflected in fuel markets.	Refiners and fuel importers are legally responsible for RFS compliance. They must acquire sufficient RINs each year regardless of whether they blend fuel themselves.
<u>RENEWABLE VOLUME OBLIGATION (RVO)</u>	<u>SMALL REFINERY</u>
The annual renewable fuel requirement is assigned to each obligated party. Individual obligations are based on a company’s share of gasoline and diesel production or imports.	A refinery with average daily crude oil throughput of 75,000 barrels per day or less. This definition determines eligibility to petition for Small Refinery Exemptions under the RFS.
<u>SMALL REFINERY EXEMPTION</u>	<u>REALLOCATION</u>

<p>Allows qualifying small refineries to seek temporary relief from compliance if they can demonstrate economic hardship. The program affects overall compliance levels and RIN markets.</p>	<p>When exempted renewable volumes are shifted onto non-exempt refiners. Reallocation can increase compliance costs after obligations are already set.</p>
<p style="text-align: center;"><u>ETHANOL</u></p> <p>A renewable fuel primarily made from corn and blended into gasoline. Ethanol is the main fuel used to meet RFS requirements.</p>	<p style="text-align: center;"><u>E15</u></p> <p>Gasoline containing up to 15% ethanol. Approved for most vehicles but legally limited by regulatory and seasonal barriers.</p>
<p style="text-align: center;"><u>REID VAPOR PRESSURE (RVP)</u></p> <p>A measure of gasoline volatility that affects evaporative emissions. Federal law allows a 1-psi RVP waiver for gasoline blended with ethanol, which directly impacts when and where higher-ethanol blends can be sold.</p>	<p style="text-align: center;"><u>BARREL OF CRUDE OIL (bbl) / BARRELS PER DAY</u></p> <p>A barrel of crude oil (bbl) equals 42 gallons. Barrels per day (bpd) is a standard measure of refinery size and capacity and is used throughout the RFS to define refinery eligibility and compliance thresholds.</p>
<p style="text-align: center;"><u>BIODIESEL</u></p> <p>A renewable diesel fuel made from oils, fats, or recycled materials. Used to meet advanced biofuel requirements.</p>	<p style="text-align: center;"><u>RENEWABLE DIESEL</u></p> <p>A drop-in diesel replacement made from biomass. Compatible with existing engines and infrastructure and growing rapidly under the RFS.</p>
<p style="text-align: center;"><u>ADVANCED BIOFUEL</u></p> <p>Renewable fuels with greater emissions reductions than conventional ethanol, including biodiesel, renewable diesel, and cellulosic fuels.</p>	<p style="text-align: center;"><u>CELLULOSIC ETHANOL</u></p> <p>A renewable fuel made from non-food plant materials. Commercial production has grown more slowly than originally expected.</p>