Executive Summary:
The Future of the Renewable Fuel Standard
November 25, 2018

Three Key Conclusions:
- The Renewable Fuel Standard (RFS) will continue in perpetuity unless legislative action is taken to change its course. Many RFS Stakeholders voiced the view that Congress would introduce legislation to mandate specific blending volumes beyond 2022 rather than leave the Executive Branch with relatively unguided control of the program. As such, the structure of an “RFS 3.0” under different Congressional majorities is considered.
- The Renewable Fuel Standard has enough votes in the Senate to have the current mandates be explicitly written into perpetuity. Key votes hinge on increasing biomass utilization, limiting ethanol, and advancing the environmental targets of the legislation; consequently, ethanol is viewed as the most at-risk fuel in any reform process. Indexing the amount of RINs earned by each gallon of fuel to Greenhouse Gas (GHG) Emission Reductions is a proposed solution within the report that would satisfy most key stakeholders, given the below vote tally.
- Due to political uncertainty at the federal level, state-level policies were briefly considered for, specifically, biodiesel producers using used cooking oil as a feedstock. California holds the most promise for a producer of next generation fuels, based on a preliminary analysis of regional fuel programs. Selling into this market from Nevada has a higher NPV potential when accounting for ease of doing business, potential feedstock discounts, rail access, and a potential state tax incentive package similar to the one awarded to Tesla.

Current Senate Likely Vote Analysis

REPORT SUMMARY

The Renewable Fuel Standard is here to stay, without a 2022 sunset. The program is destined to continue in perpetuity with the EPA Administrator having the discretion to set Renewable Volume Obligations (RVOs) each year.

The potential for Congress to act to instate an “RFS 3.0” is now viewed as a likely scenario (60% chance) based on the Senate make-up as of 11/1/2018. In a Democrat-controlled Senate (20% likely) an RFS 3.0 that deepens the commitment to greenhouse gas emission reductions is viewed as the probable outcome. In a Republican-controlled Senate, it is viewed as only 50% likely that a reform would pass due to split views of RFS within the party. The Senate is used as a proxy for Congress.

In every scenario, the ethanol mandate faces existential risk. In part because it would likely be used as an octane enhancer anyhow, and in part due to Democrats’ questions about its environmental benefits. Biomass-based diesel is considered safe in every scenario.