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2017 Mid-Year RIN Update

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Today's article provides the mid-year update on RIN generation for 2017. Generation figures and projections are based on available data from EPA's EMTS through June of 2017, with annual projections compared with the target mandate levels outlined in the [final rulemaking for 2017](#). The previous RIN update (*farmdoc daily* [May 17, 2017](#)) provided a summary of RIN generation through the first quarter of 2017 as well as an update to estimated RIN stocks available for 2017 compliance.

Advanced RIN Generation

Generation of D3 RINs picked up during the second quarter of the year. Through June, a total of 94.7 million D3 RINs have been generated. First quarter generation averaged just 10.9 million per month, but generation during the second quarter averaged nearly 20.7 million per month. Continued generation at the second quarter pace would result in total generation of nearly 219 million D3 RINs for 2017. In addition, 756 thousand D7 (cellulosic diesel) RINs were reported as generated in June. Despite the increase in generation of cellulosic RINs, projections based on the first half of the year suggest a potential deficit of nearly 100 million gallons below the 2017 mandate level of 311 million RIN gallons. Thus, D3 and D7 generation will need to continue to strengthen in the second half of the year.

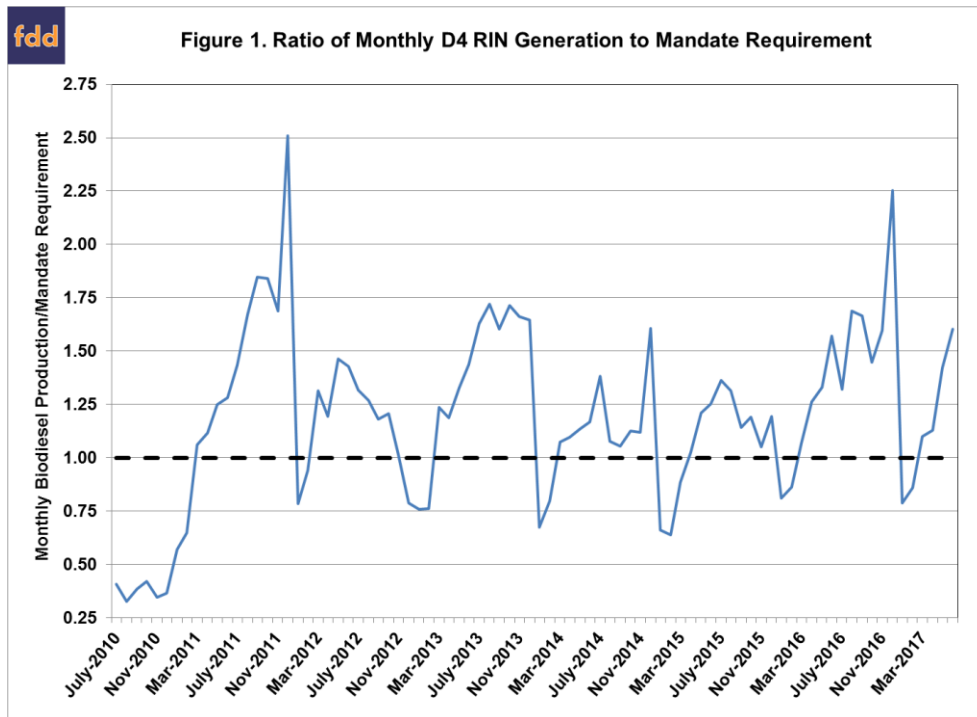
Figure 1 plots monthly D4 RIN generation relative to implied monthly mandate needs (annual mandate divided by 12) using data from the EMTS through June 2017. Gross generation of D4 RINs averaged nearly 219 million per month during the first quarter, and increased to 346 million per month in the second quarter. Extending the rate of generation in the second through the end of the year would result in 3.8 billion D4 RINs for 2017.

Gross generation of D5 RINs averaged close to 5.2 million per month during the first quarter, and increased to 12.1 million per month over the second quarter. Extending the second quarter generation rate through the end of the year suggests total generation of 124.4 million D5 RINs for 2017.

Combining the D4 and D5 RIN generation projections results in a total estimated gross generation of nearly 4 billion non-cellulosic advanced RINs in 2017. Data on [biodiesel exports](#) from the Energy Information Administration through May shows that a total of 31.8 million gallons of biodiesel have been exported, suggesting total biodiesel exports for the year of around 76 million gallons or roughly 115 million RINs. This implies net generation of non-cellulosic advanced RINs in 2017 could reach 3.9 billion. Thus, if the increased D4 and D5 generation rates experienced during the second quarter continue, net

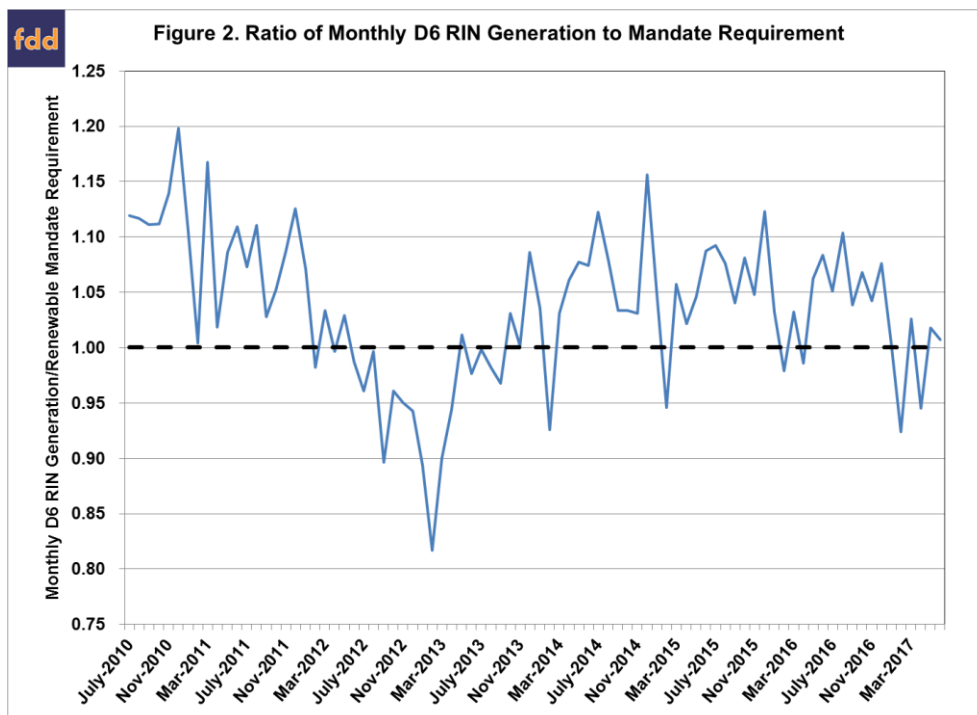
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generation would be close to sufficient to meet the non-cellulosic advanced mandate of 3.969 billion RIN gallons for 2017 (4.28 billion total advanced less 311 million cellulosic).



D6 RIN Generation

Figure 2 plots D6 RIN generation relative to implied mandate needs through June 2017. Monthly gross generation has been relatively steady through the first half of the year, averaging 1.22 billion per month in the first quarter and 1.23 billion per month in the second quarter. Gross generation projections for the year would currently be between 14.8 and 14.9 billion D6 RINs. Department of Commerce data on [exports of denatured ethanol](#) for fuel use through May are reported at 136 million for the year, suggesting total exports representing 326 million D6 RINs for 2017. Accounting for exports results in a net generation estimate of approximately 14.5 billion D6 RINs, which would fall 500 million RINs short of the 15 billion non-advanced or renewable mandate component for 2017.



Summary

Relative to the first quarter of 2017, the rate of generation across all RIN D-code categories increased during the second quarter of the year. The increase in generation of D4 and D5 RINs may be sufficient to meet non-cellulosic advanced mandate needs in 2017. However, generation of D3 and D7 RINs is still projected to fall short of the 2017 cellulosic mandate by approximately 100 million gallons, and net generation of D6 RINs is projected to fall short of the renewable mandate component by 500 million RIN gallons. Thus, generation of D3, D7, and D6 RINs will need to increase further during the last 6 months of 2017, or a portion of available RIN stocks will be required to fulfill mandate compliance requirements.

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