



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

AUG 14 2012

OFFICE OF
AIR AND RADIATION

The Honorable Gene Green
U.S. House of Representatives
Washington, D.C. 20515

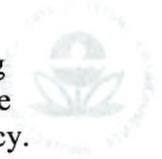
Dear Congressman Green,

Thank you for your recent call regarding the impacts to the renewable fuel markets of the uncertainty created by the presence of fraudulent renewable fuel credits, called RINs (Renewable Identification Numbers). The agency agrees with you that it is crucial to address this market uncertainty and it is among our highest priorities to take appropriate steps to do so in a timely manner using the EPA's existing authority.

The EPA has been engaged in productive conversations with stakeholders on this issue. Working with the regulated industry, the EPA has already developed a general framework for a proposed regulation. While a proposal would go through further refinement as well as interagency review prior to public comment, we have identified a number of elements we would expect the proposal to contain. For example, it would create an affirmative defense for parties who find they are holding invalid or fraudulent RINs despite their best efforts to ensure the RINs were valid. This best effort would be demonstrated by purchasing RINs that have been validated through an independent third party auditor executing an EPA approved Quality Assurance Program (QAP). The affirmative defense would ensure that refiners and other program participants who meet the conditions of the affirmative defense will not face civil penalties.

The new elements described above would be fully voluntary additions to the existing program. The existing program elements would remain in place for market participants who obtain RINs that are not validated under the QAP. Early indications from the industry are that obligated parties prefer the option of buying validated RINs from small producers and keeping the existing program for RINs purchased from the largest, most well established producers.

We understand that many in industry are seeking a resolution to these market uncertainties before making purchasing decisions for RINs in the new year. To that end, on an expedited basis, the EPA expects to issue a proposal before the end of 2012, with a final action as soon as possible in 2013. Furthermore, since the Agency understands that purchasing decisions made



before a final rule need to reflect the certainty the rule will provide, EPA is investigating mechanisms that would allow the industry to implement the QAP program as soon as the proposal is made, allowing all RINs produced in 2013 to be covered under the new policy.

We look forward to continuing to work with you on this issue.

Sincerely,

Gina McCarthy

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