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Genscape Perspective RFS Renewable Identification Number (“RIN”) Quality Assurance Program

The Need for a Renewable Fuel Standard (“RFS”) Quality Assurance Program (“QAP”):

Incidences of fraudulent RIN generation at the outset of the RFS program harmed marketplace confidence in RINs, particularly those generated by small independent biofuel producers. This undermined the liquidity of RINs in the marketplace that is essential for the RFS program to function in a reliable, predictable and efficient manner.

Stakeholders in the fuels marketplace have a common interest in promoting RIN integrity. For petroleum companies (obligated parties), confidence that a RIN obtained either directly from a biofuel producer or in the open market is valid reduces compliance risk and financial exposure. For biofuel producers, enhanced RIN integrity makes their fuel product and the accompanying RINs more competitive in the fuel marketplace. For policymakers, enhanced RIN integrity reduces fraud and ensures that the RFS program functions in a manner that is consistent with statute and regulation.

About Genscape:

Genscape is approved by the Environmental Protection Agency (“EPA”) as an approved third party auditor/QAP provider and strongly supports EPA’s efforts to implement a RFS Quality Assurance Program that enhances the integrity of the RINs that are used to demonstrate compliance with the RFS program’s volume requirements.

Genscape's RIN Integrity Network™ is the industry’s most robust, cost-effective and low-maintenance QAP for RIN verification. It is the only QAP that incorporates constant monitoring utilizing Genscape’s proprietary technology. The monitoring gathers information about a biofuel plant facility that reduces the producer’s burden to submit voluminous paperwork and other QAP documentation. Genscape’s monitors are configured per facility in a cooperative process with facility operators to achieve the best setup for the facility and to meet the needs of the QAP-A requirements established by the EPA. The program aligns with the EPA's QAP requirements and provides the most flexibility to renewable fuel producers, obligated parties, mid-market participants and anyone looking to gain trust and confidence in the RINs market. Genscape's RIN Integrity Network™ includes the option of RIN replacement.

Needed Improvements to EPA's Proposed RFS Quality Assurance Program:

Genscape appreciates EPA's efforts to date to implement the Quality Assurance Program on an interim basis. Marketplace data clearly demonstrates that the initiative is having the desired effect of providing additional liquidity and price parity for RINs in the biofuels marketplace. The incorporation of the following concepts regarding remote monitoring technology and third party auditor/QAP provider independence in the final rule will enhance the effectiveness of the Quality Assurance Program.

Allow the Use of Remote Monitoring Technology In Lieu of On-Site Visits for QAP-A:

To generate an A-RIN, the EPA's proposed rule allows or otherwise requires ongoing monitoring for a variety of biofuels production processes related to feedstock acquisition, fuel production, and RIN generation. EPA has approved the use of Genscape's proprietary technology to meet this QAP-A ongoing monitoring requirement. The proposed rule also requires the third party auditor/QAP provider to physically conduct quarterly on-site visits.

Genscape's proprietary remote monitoring systems provide tamper-proof, independent information as required for QAP-A on an ongoing basis and as often as every five minutes. This ongoing monitoring is superior to on-site visits and provides a constant, ongoing stream of data that is used to verify the validity of A-RINs and combat RIN fraud. Requiring in-person site visits in addition to these real time monitoring systems is unnecessary duplication that will do nothing to enhance program integrity and will only serve to increase the costs associated with generating A-RINs. The final RFS RIN Quality Assurance Program rule should reflect this common sense reality.

Allow the Use of Remote Technology to Meet Quarterly QAP-B Monitoring Requirements:

Genscape uses the same stringent QAP-A RIN oversight and monitoring to fulfill the requirements of the QAP-B program. The difference between a Genscape A-RIN and a Genscape B-RIN is that Genscape is not required to replace the B-RIN. However, the remote technologies and ongoing monitoring is the same.

Under the proposed rule, QAP-B provides for a less stringent quarterly monitoring requirement for a facility's feedstock acquisition, fuel production and RIN generation activities. In our view, the final RFS RIN Quality Assurance Program rule should allow Genscape to use ongoing remote monitoring technology which is more robust than any in-person, or quarterly site visits to comply with the QAP-B quarterly monitoring requirement. However, we support EPA's proposal to require no less than quarterly site visits in a scenario where a third party auditor/QAP provider does not employ credible remote monitoring technology.

Final Rule Must Require True Independence for Third Party Auditors/QAP Providers:

For the RFS RIN Quality Assurance Program to function properly, it is imperative that third party auditors/QAP providers be completely independent. Thus, the final rule should reflect the following:

- Third party auditors/QAP providers should be completely independent of any day-to-day RIN transaction activity. Having a RIN position in the market could inappropriately bias the audit process based on market conditions.

- Financial interest in the third party auditor/QAP provider by a company that trades RINs or is financially tied to the RINs generated by a QAP provider's client represents a notable conflict of interest.
- Allowing a third party auditor/QAP provider to generate and validate the same RINs represents a clear conflict of interest that has the potential to undermine program integrity.

