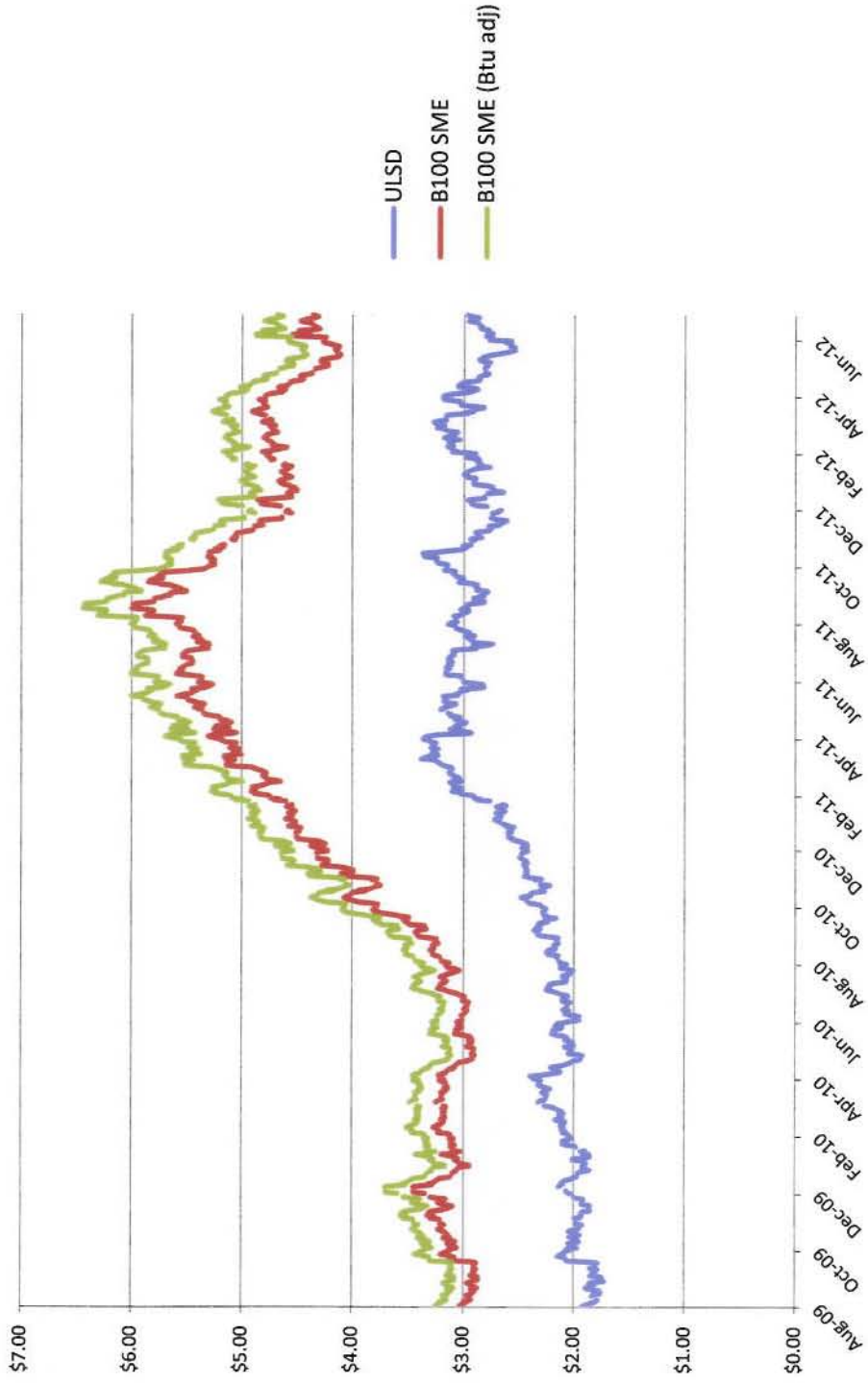


# Chicago ULSD & B100

\$/gallon, Source:OPIS





## Civil Enforcement

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# Civil Enforcement of the Renewable Fuels Standard (RFS) Program

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The Renewable Fuels Standard (RFS) program requires producers or importers of renewable fuel to generate fuel credits, known as Renewable Identification Numbers (RINs), in proportion to the amount and type of renewable fuel they produced or imported. The RFS Program also requires that non-renewable fuel refiners and importers, known as obligated parties, and renewable fuel exporters obtain valid RINs and retire those RINs each year by submitting them to the EPA. Congress adopted the RFS Program to reduce the nation's dependence on foreign oil, help grow the nation's renewable energy industry and achieve significant greenhouse gas emissions reductions. The EPA is charged with developing the RFS program and enforcing its requirements.

In order to protect the program's integrity and maintain a level playing field for regulated companies, the EPA is pursuing enforcement actions against renewable fuel producers and importers that generated invalid RINs. The EPA has also implemented an Interim Enforcement Response Policy (PDF) (4pp, 634KB) for obligated parties or renewable fuel exporters who used the 2010 and 2011 RINs identified in the Notices of Violations (NOVs) set forth below:

- [Clean Green Fuels, LLC](#)
- [Absolute Fuels, LLC](#)
- [Green Diesel, LLC](#)

In response to these NOVs, the EPA has entered the following administrative settlement agreements to resolve alleged civil violations arising from the use of invalid biomass-based diesel RINs.

- [Astra Oil Company LLC](#)
- [Atlantic Trading & Marketing Inc.](#)
- [BP Products North America](#)
- [Buckeye Pipe Line Company, L.P.](#)
- [Buckeye Terminals, LLC](#)
- [Citgo Petroleum Corporation](#)
- [Colonial Oil Industries](#)
- [ConocoPhillips](#)
- [Enterprise TE Products Pipeline Company LLC](#)
- [Exxon Mobil Corporation](#)
- [Flint Hills Resources LP](#)
- [George E. Warren Corporation](#)
- [Houston Refining LP](#)
- [Kinder Morgan Southeast Terminals LLC](#)
- [Lansing Trade Group LLC](#)
- [Lima Refining Company](#)
- [Marathon Petroleum Company LP](#)
- [Morgan Stanley Capital Group Inc.](#)

- [Motiva Enterprises LLC](#)
- [National Cooperative Refinery Association](#)
- [Nidera Energy US](#)
- [RIL USA Inc.](#)
- [Shell Chemicals LP](#)
- [Shell Oil Company](#)
- [Shell Oil Products US](#)
- [Shell Trading \(US\) Company](#)
- [Sunoco, Inc. \(R&M\)](#)
- [TOTAL Petrochemicals USA Inc.](#)
- [Trafigura AG](#)
- [Western Refining Company, LP](#)
- [WRB Refining LP](#)

## Clean Green Fuels, LLC

On November 7, 2011, the EPA issued 24 NOVs to companies who retired invalid biomass-based diesel RINs to comply with their renewable volume obligations (RVOs). The RINs were generated by Clean Green Fuels, LLC, whose owner, Rodney R. Hailey, was charged on October 3, 2011, with wire fraud, money laundering, and violating the Clean Air Act. These charges arise from a scheme in which he and his company allegedly generated and sold over 32 million RINs, but neither produced nor imported any renewable fuel. The filing of criminal charges is not a finding of guilt; Mr. Hailey is presumed innocent until proven guilty in court.

Please see the following company names to view that company's NOV.

- [Astra Oil Company \(PDF\)](#) (7pp, 491K)
- [Atlantic Trading & Marketing Inc \(PDF\)](#) (5pp, 321K)
- [Buckeye Pipe Line Company, L.P. \(PDF\)](#) (4pp, 190K)
- [Buckeye Terminals, LLC \(PDF\)](#) (4pp, 989K)
- [Colonial Oil \(PDF\)](#) (4pp, 187K)
- [Exxon Mobil Corporation \(PDF\)](#) (4pp, 179K)
- [Flint Hills Resources LP \(PDF\)](#) (4pp, 242K)
- [George E. Warren Corporation \(PDF\)](#) (14pp, 1MB)
- [Green Diesel \(PDF\)](#) ( 2pp, 539K )
- [Kinder Morgan SE Terminals LLC \(PDF\)](#) (4pp, 186K)
- [Lima Refining Company \(PDF\)](#) (7pp, 384K)
- [Marathon Petroleum Company LP \(PDF\)](#) (7pp, 137K)
- [Morgan Stanley Capital Group Inc. \(PDF\)](#) (5pp, 184K)
- [Motiva Enterprises LL \(PDF\)](#) (5pp, 86K)
- [NECO Distribution and Transport Ltd \(PDF\)](#) (4pp, 203K)
- [Nidera Energy US \(PDF\)](#) (5pp, 340K)
- [RIL USA Inc. \(PDF\)](#) (4pp, 245K)
- [Shell Chemicals LP \(PDF\)](#) (4pp, 72K)
- [Shell Oil Company \(PDF\)](#) (4pp, 183K)
- [Shell Oil Products US \(PDF\)](#) (5pp, 314K)
- [Shell Trading US Company \(PDF\)](#) (5pp, 282K)
- [Sunoco, Inc. \(R&M\) \(PDF\)](#) (4pp, 258K)
- [TE Products Pipeline Company \(PDF\)](#) (4pp, 173K)
- [Tesoro Companies, Inc. \(PDF\)](#) (4pp, 78K)
- [Trafigura AG \(PDF\)](#) (4pp, 265K)

## Absolute Fuels, LLC

The EPA issued [Absolute Fuels, LLC \(PDF\)](#) (2pp, 539K) a NOV on February 2, 2012. The NOV alleges the company generated over 48 million invalid biomass-based diesel RINs without

producing any qualifying renewable fuel and transferred the majority of these invalid RINs to others.

## **Green Diesel, LLC**

The EPA issued [Green Diesel, LLC](#) (2pp, 539K) a NOV on April 30, 2012. The NOV alleges the company generated more than 60 million invalid biomass-based diesel RINs without producing any qualifying renewable fuel and transferred the majority of these invalid RINs to others.

## **Frequently Asked Questions and Answers**

Frequently asked questions and answers on [Renewable Fuels Standard](#).

## Biodiesel Production Costs (Soybean Feedstock)

Biodiesel is significantly more expensive to produce than ULSD fuel. Below is an example of the current biodiesel production costs, using soybean oil as a feedstock.

### Feedstock Costs:

Soybean oil 52.64 cents per pound<sup>2</sup>  
7.3 lbs of oil are required to make a gallon of biodiesel  
Cost of transporting oil to production facility 3 cents per gallon  
Cost of feedstock is  $(\$0.53) * (7.3) + \$0.03 \dots\dots$  **\$3.90/gallon**

### Biodiesel Production Costs:

Production costs vary between 45 and 73 cents per gallon, as detailed below:

• Methanol (12%-20% by volume)	\$ .10 - .20
• Catalyst	\$ .10 - .12
• Electricity	\$ .01
• Natural Gas (boiler - heat)	\$ .08 - .10
• Labor and Overhead	\$ .05 - .10
• Maintenance	\$ .03 - .05
• Insurance & Taxes	\$ .03 - .05
• Depreciation	<u>\$ .05 - .10</u>
Average production cost.....	<b>\$0.59/gallon</b>

### Biodiesel Transportation Costs:

The cost of transporting biodiesel from the production plant to a blending facility adds between 5 and 15 cents per gallon, depending upon the length of transport.

Average transportation cost for finished biodiesel . . . . . **\$0.10/gallon**

**Total wholesale per gallon cost of biodiesel (spot). . . . . \$4.59/gallon**

**ULSD spot market price: \$2.94/gallon<sup>3</sup>**

**\*This means that the cost of biodiesel is about \$1.65 per gallon more than ULSD.**

<sup>2</sup> Source CNBC: <http://www.cnbc.com/id/33198741/> (July 27, 2012).

<sup>3</sup> Source: *Wall Street Journal*, p. C6 (July 27, 2012).