

## **FAQ FOR Q-RINS**

October 2017

### **What is a Q-RIN?**

A Q-RIN is a type of RIN that has been verified through the EPA's voluntary Quality Assurance Plan (QAP) program.

### **Can all RINs, D3 – D6, be verified through the QAP Program?**

No. The QAP program only applies to D4 and D5 RINs.

### **What is the benefit to buying Q-RINs?**

Q-RINs must be validated before entering the market, creating a minimal degree of risk that the Q-RIN will later prove to be invalid.

### **Does buying Q-RINs mean I'm never going to buy another invalid RIN?**

No. While a Q-RIN provides assurances that it is less likely to be invalid, it is not a guarantee. The QAP program exists as a sort of "insurance policy" but that does not mean buying Q-RINs will completely shield you from invalid RINs.

### **Should I buy unverified RINs?**

There is nothing wrong with buying unverified RINs. Large market participants, such as REG and Cargill, generate numerous RINs that are unverified and are readily purchased by obligated parties. Q-RINs are advantageous for small producers. As new market participants, small producers can offer Q-RINs to more seasoned market participants as further assurances against invalidity.

### **Who does RIN Alliance accept RINs from?**

RIN Alliance has a selection of RIN generators listed on our website:

<http://www.rinalliance.com/rin-marketing.cfm>

### **What is the best business practice for purchasing Q-RINs?**

Great question. First and foremost, you should be aware of the language contained in any agreements that you may have with your supplier. The language of an agreement is going to distribute liability. If you are concerned about who has the obligation of replacing invalid Q-RINs, you should thoroughly review your agreement to determine who has the obligation of replacement. You should consider including language that protects you from liability, including indemnity and possibly requiring the other party to warranty their Q-RINs.

If no agreement has been made, typically, the violator has the responsibility to replace the invalid Q-RINs. RINAlliance understands this is a tricky area. Call us to help you with the replacement process.

### **What is the QAP process and how does it work?**

The QAP process is a voluntary combination of mechanisms that allows a D4 or D5 RIN to be verified using the services of an independent third-party auditor.

The QAP program was developed by EPA to incentivize participation in the RFS. As you may know, after the RFS was developed, there was a problem with the generation of invalid RINs. EPA created the QAP process to help offset any risk of invalidity with RIN transactions. The name Q-RIN was given to RINs that were generated and verified by the QAP program to signify this process.

### **What companies provide QAP services?**

Currently, the following companies provide QAP services: EcoEngineers, Weaver, RINStar, and Genscape.

### **Can a Q-RIN become invalid?**

Yes. The verification process does not offer complete protection and should not be taken to mean the QAP program completely gets rid of invalidity.

### **What makes a Q-RIN invalid?**

While there are many things that may make a Q-RIN invalid, here are a few of them:

- two Q-RINs were generated for the same gallon of fuel when only one would be valid;
- the fuel that generated the Q-RIN was based on incorrect volumes or volumes that have not been standardized to 60° F;
- the Q-RIN has expired;
- the Q-RIN was based on an incorrect equivalence value;
- the Q-RIN was assigned an incorrect “D” code value for the associated volume of fuel, etc.

This list is not exhaustive. A good way to think about this is to know that anything that may impact the integrity of the fuel that the RIN is attached to may potentially cause the RIN to be invalid.

### **How do I know if I have invalid Q-RINs?**

On occasion, a QAP provider will identify a batch of RINs as being invalid. The QAP provider has the responsibility of notifying both the RIN generator and EPA of the invalid batch. When this happens, EPA puts out a notification on their website alerting RIN owners to the invalidly generated

RINs. If the RIN generator is a company that you have purchased RINs from, then you could have invalid RINs. RINAlliance can help you determine if you have invalid RINs.

### **Who is liable for replacement of invalid RINs?**

That is a complicated question. From a purely regulatory standpoint, an obligated party (importers and producers) has the duty of replacing invalid RINs, whether Q-RINs or unverified, with valid RINs. This is particularly important if an obligated party has used invalid RINs to comply with their Renewable Volume Obligation.

Where this issue gets complicated is when there is an agreement in place. The invalid RINs might be replaced by the party who provided or sold them, if any agreement that might be in place provides for that. The invalid RINs might also be replaced by the party who purchased them if any agreement that might be in place delegates liability to the buyer. If you are concerned about your liability, please read any agreements to which you are a party to.

### **I have invalid RINs, what do I do?**

Call RINAlliance for guidance, we're here to assist you!

### **How long does it take EPA to notify the public of invalid RIN generators?**

EPA does not have a set timeline, although EPA typically takes at least 30 days to render a decision. Complicating matters, is that there are three different parties that could discover the invalidity: EPA, the third-party independent auditors, or the RIN generator themselves. EPA needs time to verify that the RINs are invalid before notifying the public. The process of correcting invalid RINs looks like the following:

- (1) EPA discovers or is notified of potentially invalid RINs.
- (2) EPA issues a notification of the RIN generators of the potentially invalid RINs to the general public. Typically, this takes the form of a Notice of Intent to Revoke the RIN Generators QAP abilities. However, this is not always the case and is more pertinent when the RIN Generator's QAP abilities are at issue.
- (3) The RIN generator is given time to assert a defense. Typically, the RIN generator has 30 days from the discovery of the potentially invalid RINs to assert the defense. Additionally, the RIN generator may request an extension, allowing them 60 days to complete a report and submit a defense. The extension is granted as the behest of the EPA.
- (4) At the time they submit a defense, the RIN generators may also submit a report showing the EPA that the potentially invalid RINs are actually valid, allowing the generators to "redeem" the RINs.

- (5) EPA then reviews the defense and the evidence submitted and makes a determination if the potentially invalid RINs are valid or invalid.
- (6) If the potentially invalid RINs are valid, the RIN generator is free and clear of all penalties
- (7) If EPA issues a final determination that the potentially invalid RINs are invalid, the RIN generator is subject to penalties including but not limited to fines and loss of QAP abilities.

### **Should I be concerned about Genscape?**

It depends. Genscape came under scrutiny when two RIN Generators that Genscape had QAP'd generated approximately 68 million invalid A-RINs. To be clear, this doesn't mean that all A-RINs that Genscape QAP'd are invalid, only the ones generated by Gen-X and Southern Resources and Commodities LLC (SRC) are at issue. If you don't feel comfortable buying verified RINs that were QAP'd by Genscape, that's perfectly understandable. However, know that simply buying RINs from Genscape does not mean that you're buying invalid RINs.

To date EPA has not issued a final determination on this issue. The last item on this issue was a Notice of Intent to Revoke, published by EPA on January 4, 2017. Genscape filed for extension and EPA granted the extension until April 18, 2017. EPA was expected to release a final decision by May 18, 2017, but as of present, has yet to release any publication concerning the topic.

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