
Alarm bells have been ringing recently at the Renewable Fuels Association (RFA), and its latest response was to [write to both the Environmental Protection Agency \(EPA\) and the Commodity Futures Trading Commission](#), alleging that obligated parties (such as refiners) are behind the recent spike in RIN prices. The accusation is clear: the letter states that "the spike raises renewed questions about potential manipulation of the market by entities who may believe the specter of higher RIN prices supports their political efforts to repeal or reform the RFS."

Of course, while they are correct in saying there is a problem with RIN prices, they could not be more wrong about the cause. The idea that refiners would hurt themselves on price just to make a political point - with no guarantee of success - is bizarre. But a more interesting aspect to the RFA's correspondence is that it inadvertently opens up another hole in the biofuels lobby's argument for supporting the RFS. Put simply, since they have written to the CTFC about RIN prices, it is clear the RFS is not working. If the RFS was working, the RFA would not be appealing to the CTFC. Offering no evidence to back up the allegation, all the letter definitively shows is that the RFA sees a problem with RIN pricing, in addition to the problems it sees with [EPA's waiver authority](#).

Although the RFS is a mandate, RINs are traded in a free market – all that is required is that the RIN owner be registered with EPA in its RIN transaction system (known as EMTS). It is hard to see how anyone can attribute motivation to a trade. And because RINs are traded in a free market, their prices are determined by supply and demand. If demand (or a perception of future demand, say in 2017) exceeds supply, then the price increases.

RIN prices could decline if supply exceeded demand (hard to fathom today – but did exist if you look back enough years when D6 RIN prices were only 2-3 cents). RIN prices did increase after May 18. But this was likely because EPA's proposal for 2017 was not feasible, which in turn increased the value of RINs. 2016 RINs can be used for 2017 RFS compliance. The RFA should perhaps dust off its Economics 101 textbook before making wild allegations about obligated parties.

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