When EPA sets Renewable Fuel Standard (RFS) mandates, most attention focuses on the required volumes of renewable fuel. But behind the scenes, compliance depends on something called Renewable Identification Numbers, or RINs.

Understanding how RINs work, and why the industry's "RIN bank" is shrinking, helps explain why increasingly aggressive mandates are driving up RFS compliance costs.

What are RINs?

RINs are the compliance credits refiners and other obligated parties use to meet their obligations under the RFS. These credits are generated when renewable fuels such as ethanol, biodiesel and renewable diesel are produced. A RIN stays tied to each gallon of renewable fuel until that fuel is blended into gasoline or diesel and consumed here in the United States. The RIN can then be separated and used or sold as a compliance credit.

Think of RINs as the compliance credits refiners and other obligated parties need to meet EPA's renewable fuel requirements.

What happens if an obligated party doesn’t have enough RINs?

Without enough RINs, an obligated party has two options: 1. Reduce production or export gasoline and diesel to lower its requirement, 2. Carry a limited, one-year compliance deficit. If a company is forced to run a deficit for a second year, that’s a violation of the Clean Air Act, which comes with a significant financial penalty.

Does requiring more RINs create more renewable fuel?

No. A key point often gets lost in discussions about the RFS: requiring more RINs has not historically led to more renewable fuel production.

Because RINs are generated through renewable fuel production, the supply of RINs ultimately depends on the market's ability to produce and blend renewable fuels. When EPA requires more renewable fuel than the market can reasonably supply, RINs become scarcer and their prices tend to rise.

What is the RIN bank?

The "RIN bank" is a reserve inventory of compliance credits accumulated in prior years. It was designed to provide compliance flexibility when renewable fuel production temporarily falls short of expectations. But RINs don't last forever. Under EPA’s rules, they can generally be used for compliance in the year they are generated and the following year, and carryover RINs can only satisfy up to 20% of a year's requirement.

In other words, the RIN bank acts as a cushion. It allows the market to absorb short-term disruptions

without causing severe compliance challenges.

Why is there so much talk about the RIN bank right now?

The RIN bank was never intended to compensate for mandates that consistently exceed available renewable fuel supply. But today, domestic biofuel production is struggling to keep pace with EPA's increasingly aggressive volume requirements, so the industry has been drawing down the RIN bank to bridge the gap.

Most independent analyses indicate that the remaining bank of available RINs will be largely depleted, if not significantly negative, forcing some obligated parties to run compliance deficits in 2026 and in 2027, when even more aggressive requirements take effect.

What happens when the cushion is gone?

As the RIN bank shrinks, compliance becomes more difficult and more expensive. Without banked credits to draw from, obligated parties have fewer options to meet EPA's requirements, increasing competition for a limited pool of RINs and driving up costs.

Why this matters

The RIN bank was created to help the market manage temporary supply disruptions, not to support mandates that consistently exceed available renewable fuel supply. As the reserve is depleted, compliance costs increase – with no cushion left to absorb the gap between mandate and supply. Those costs don’t stay in the refining industry: consumers pay more at the pump and businesses pay more to move goods.

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