

Testimony of Paul Niznik

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Before the House Energy & Commerce Committee, Environment Subcommittee Hearing on:
“Background on Renewable Identification Numbers under the Renewable Fuel Standard”

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Mr. Chairman, Mr. Ranking Member, and Members of the Subcommittee:

My name is Paul Niznik, I am a Senior Consultant for Argus Media, Inc. I would like to thank you for the opportunity to testify this morning on Renewable Identification Numbers (RINs) prices and fuels markets.

Argus Media is a global commodity price reporting agency with over 40 years of experience providing a broad range of industries with objective, independent market assessment. Billions of dollars of commodity prices are based on Argus-published indices, which are produced in over 20 offices spread across global market hubs. Argus provides its services to entities within petroleum, biofuel and power markets, among many others. In my role as a consultant, I provide strategic planning services, investment due diligence, and market research specifically in biofuels and RINs markets.

Research on historic price data demonstrates that most RINs price behavior can be explained in the context of four main factors: the RFS rules, commodities prices, fuel quality regulations, and other incentives at the national and state level. Historically, changes seen in any of these areas can have quantifiable effects on the RINs price market. In my experience with clients at every level of participation in the market, understanding the “logic” of RINs price behavior creates opportunities for investment and opens chances to optimize business efficiency. Uncertainty around potential changes to the Renewable Fuel Standard (RFS), or other policies, disrupts the logic of the market and creates RINs price movements and volatility not normally seen under similar market conditions.

Likewise, policy clarification and long-term guidance have decreased RINs price volatility and returned the market to “logical” behavior in the past, such as the issuance of guidance by EPA on the intention for annual RFS rulemaking in 2015 after a multi-year lapse.

RINs price volatility driven by policy news, as well as long-term policy uncertainty, are the two largest complaints about the RFS that I hear from my clients, both RINs buyers, such as refiners, and RINs generators, such as biofuels producers.

Thank you for the opportunity to testify today and I look forward to answering questions from Members of the Committee.