

## Delek weighs RIN waivers, refinery yield

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Houston, 5 November (Argus) — Delek limits crude processing at its 80,000 b/d refinery in El Dorado, Arkansas, to maintain its eligibility for federal fuel blending waivers, the company said today.

The US independent refiner could easily process more than 75,000 b/d of crude at the recently upgraded refinery, chief executive Uzi Yemin said. But doing so would mean losing access to waivers of fuel blending requirements under the Renewable Fuel Standard (RFS), he said on a quarterly earnings call. It was an unusually direct connection between waivers and refinery strategy as the Environmental Protection Agency (EPA) faces increasing pressure to change its administration of the program.

RFS requires that refiners, importers and other companies each year ensure minimum volumes of renewables blend into the gasoline and diesel they add to the US transportation supply. Obligated parties prove compliance by acquiring renewable identification numbers (RINs) representing each ethanol-equivalent gallon of renewable physically blended into the road fuel pool.

EPA has under President Donald Trump increased the number of exemptions approved for refineries processing less than 75,000 b/d of crude a year and that the agency determines faces a hardship complying with the program. Waivers have angered agribusiness and biofuels groups, vocal parts of Trump's rural political base.

The decisions effectively cut annual blending mandates. The agency approved 31 exemptions for 2018, including three Delek refineries. The total exemptions reduced that year's 19.29bn USG mandates by 7.4pc.

That eligibility was a consideration for the El Dorado refinery's crude processing, Yemin said. Waivers were "a real cash flow that we get every year," he added.

"Running more than 75, we can do it easily," Yemin said. "Running even more than 80 is easy. We just need to understand the economics."

Delek has consistently operated the refinery below its rated 80,000 b/d since acquiring the facility in 2011. The refinery was originally described as a 100,000 b/d facility but operates profitably at lower levels. Delek has processed less than 75,000 b/d of crude at the refinery since at least 2015. Other feedstocks have in some years pushed total processing above 76,000 b/d.

Confirming the waivers helps investors to understand Delek's exposure to the costs of complying with the fuel mandates. But it may also expose the refineries to challenges from critics of the exemptions. Federal attorneys for the EPA told US District of Columbia Court of Appeals judges last month that the decisions could only be challenged individually.

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