

# Cellulosic Waiver Credit Price Calculation for 2017

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Assessment and Standards Division  
Office of Transportation and Air Quality  
U.S. Environmental Protection Agency

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For any calendar year for which the projected volume of cellulosic biofuel production is less than the applicable volume of cellulosic biofuel set forth in Clean Air Act (CAA) section 211(o)(2)(B)(III), EPA must reduce the required volume of cellulosic biofuel for that year to the projected volume, and must provide obligated parties the opportunity to purchase cellulosic waiver credits (CWC). The price of these credits is determined using a formula specified in the CAA.<sup>1</sup> The cellulosic waiver credit price is the greater of \$0.25 or \$3.00 minus the wholesale price of gasoline, where both the \$0.25 and \$3.00 are adjusted for inflation. In a rule published in April 2015, EPA stated our intention to establish future CWC prices by posting a notice on our “Renewable Fuels: Regulations & Standards” website. This document serves the required notice, and establishes the Cellulosic Waiver Credit prices for 2017 at \$2.00.

To determine the CWC price for 2017, EPA first determines the average wholesale (refinery gate) price of gasoline using the most recent twelve monthly values for U.S. Total Gasoline Bulk Sales (Price) by Refiners as provided by the Energy Information Administration (EIA) that are available as of September 30 of the year preceding the compliance period.<sup>2</sup> For the 2017, the most recent 12 months for which data is available covers July 2015 through June 2016. The data are shown below in Table 1 for the calculations for 2017, and can be found at: ([https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMA\\_EPM0\\_PBR\\_NUS\\_DPG&f=M](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMA_EPM0_PBR_NUS_DPG&f=M)).

Table 1 – Wholesale Gasoline Prices for 2017 CWC Calculation

Month	Average Price in \$
July 2015	2.025
August 2015	1.731
September 2015	1.475
October 2015	1.437
November 2015	1.359
December 2015	1.281
January 2016	1.164
February 2016	1.005
March 2016	1.218
April 2016	1.366
May 2016	1.479
June 2016	1.540

The average monthly price of wholesale gasoline in dollars for the calculation of the 2016 CWC price is \$1.423.

The CAA requires that EPA adjust for inflation the comparison values of twenty-five cents (\$0.25) and three dollars (\$3.00) in the CWC price formula. EPA must compare the

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<sup>1</sup> CAA 211(o)(7)(D)(ii)

<sup>2</sup> 40 CFR 80.1456(d)(2)

inflated twenty-five cent value with the amount the inflated three dollar value exceeds the average wholesale price of gasoline. EPA is required to use the greater of the two values as the price for the cellulosic biofuel waiver credits.

EPA evaluated inflation by using the Unadjusted Index values from the Consumer Price Index for All Urban Consumers (CPI-U): U.S. City Average, for the All Items expenditure category as provided by the Bureau of Labor and Statistics, for the months of January 2009 (the first comparable value after 2008) and June 2016, as specified in 40 CFR 80.1456(d)(3). These unadjusted indexes are used to calculate an Inflation Factor for each year, as shown in Table 2 below. Finally, we compare \$0.25 (inflation adjusted) to \$3.00 (inflation adjusted) minus the wholesale price of gasoline for each year. The greater of these values is the price for the cellulosic waiver credits.

Table 2 – Inflation Adjustments

Month	Unadjusted Index	Source
January 2009	211.143	<a href="http://www.bls.gov/cpi/cpid0901.pdf">http://www.bls.gov/cpi/cpid0901.pdf</a> (Table 1)
June 2016	241.038	<a href="http://www.bls.gov/cpi/cpid1606.pdf">http://www.bls.gov/cpi/cpid1606.pdf</a> (Table 1)

Table 3 – Inflation Factors

Months	Equation	Inflation Factor
Jan. 2009 – June 2016	$1 + (241.038 - 211.143) / 211.143$	1.142

Table 4 – Cellulosic Waiver Credit Price Calculations

Year	\$0.25 (Inflation Adjusted)	\$3 (Inflation Adjusted) – Wholesale Price of Gasoline	CWC Price (Larger of the two values, rounded to the nearest cent)
2017	$\$0.25 * 1.142 = \$0.29$	$(\$3.00 * 1.142) - \$1.423 = \$2.001$	\$2.00

As shown in Table 4, using the data sources for the inflation adjustment that are specified in this direct final rule results in a CWC price of \$2.00 for 2017.