

Our View: RVO Ruining US Refiner Margins

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Reuters columnist John Kemp wrote last week that US refiners were boosting gasoline output because margins were surging. Kemp is wrong regarding margins, probably because he writes from the UK and is unfamiliar with the US renewable volume obligation (RVO). Kemp believes refining margins have surged from the first of the year. He is correct if one excludes the RVO imposed on refiners by the Renewable Fuel Standard. However, the RVO has increased by \$5 per barrel from January 1, capturing much of the margin increase. The higher cost of manufacturing summer-grade gasoline has likely absorbed the rest. Today, refiners may fare better financially by cutting gasoline production and selling excess renewable identification numbers (RINs).