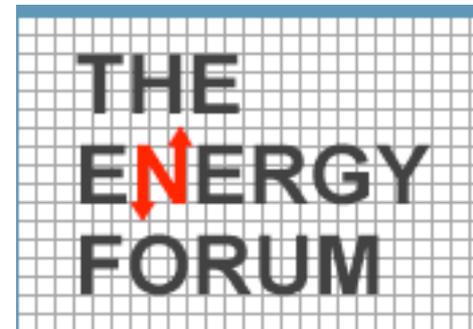




Jacob Dweck, Partner
Alexander Holtan, Counsel
David McCullough, Partner



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Trumponomics: The Emerging New Regulatory Environment and Its Impact on the Energy and Financial Sectors

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Scott Pruitt: From EPA Fighter to EPA Administrator

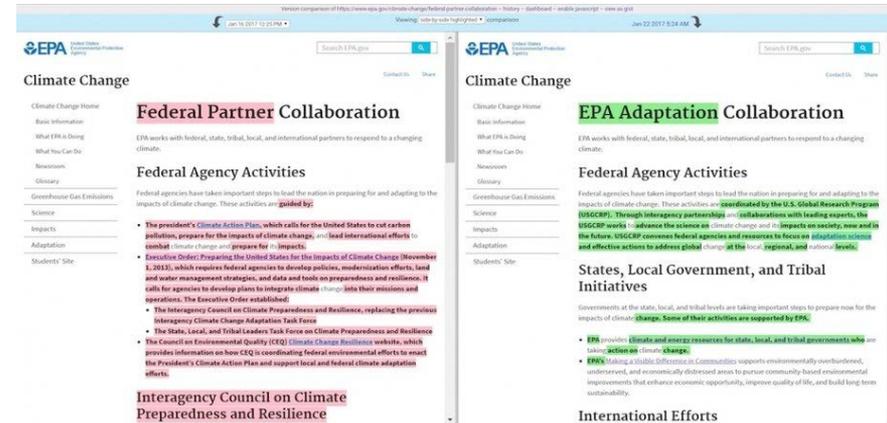
- From his article: “The Methane Myth: Incompetence and Overreach at the EPA (2012)”:
 - “As a Republican attorney general from a southern state, my views on energy policy might be discounted as a simple ploy to bolster the energy industry at the expense of environmental stewardship and responsibility. That perspective would be misguided. I do strongly support energy producers and their role in the nation’s economic sustainability, but this issue isn’t about oil. Nor is it about natural gas or hydraulic fracturing. This is about a wayward federal agency arbitrarily using unsubstantiated, inaccurate, and flawed data to achieve a specific policy objective.”



EPA and the Trump Administration – Dismantling Environmental Roadblocks to Traditional Energy Development and the Obama Climate Change Legacy

— Tools:

- Congress
 - Congressional Review Act
 - New Legislation
- White House
 - Messaging (e.g., websites)
 - Regulatory Freeze
 - Two for One Rulemaking
- EPA
 - Notice and Comment Rulemaking
 - Fail to Implement
 - Fail to Defend
 - Fail to Enforce



EPA and the Trump Administration – Dismantling Environmental Roadblocks to Traditional Energy Development and the Obama Climate Change Legacy

– Targets:

- The Clean Power Plan
 - Waters of the U.S. Rule
 - Stream Protection Rule
 - The Renewable Fuel Standard???
- Biodiesel Tax Credit (Not an EPA mandate, but a bargaining chip that could be converted to a production tax credit)

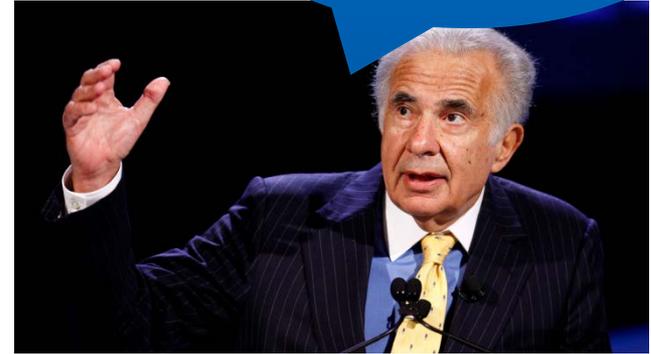


Trump, Pruitt and Icahn on the RFS

"The evidence is clear that the current ethanol fuel mandate is unworkable."



"If Pablo Escobar were alive, he wouldn't be doing coke, he'd be trading RINs."

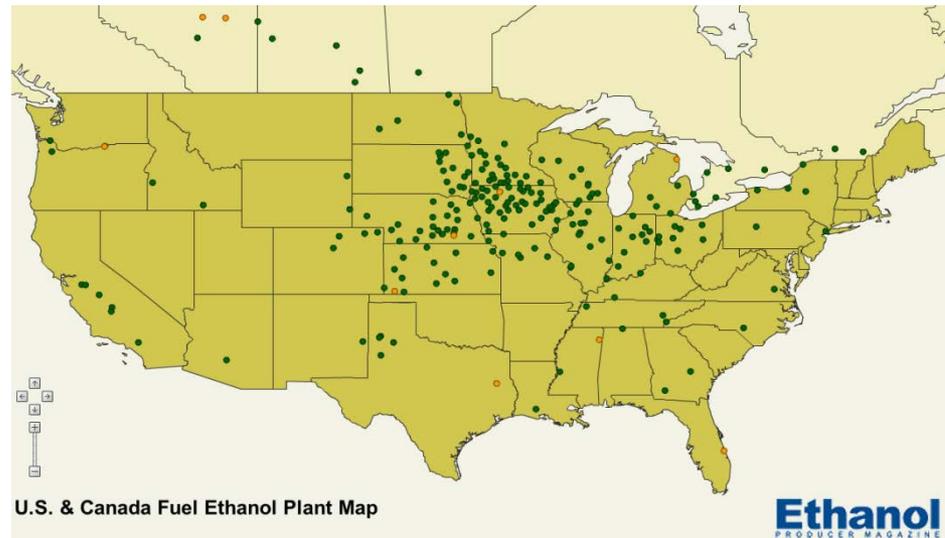
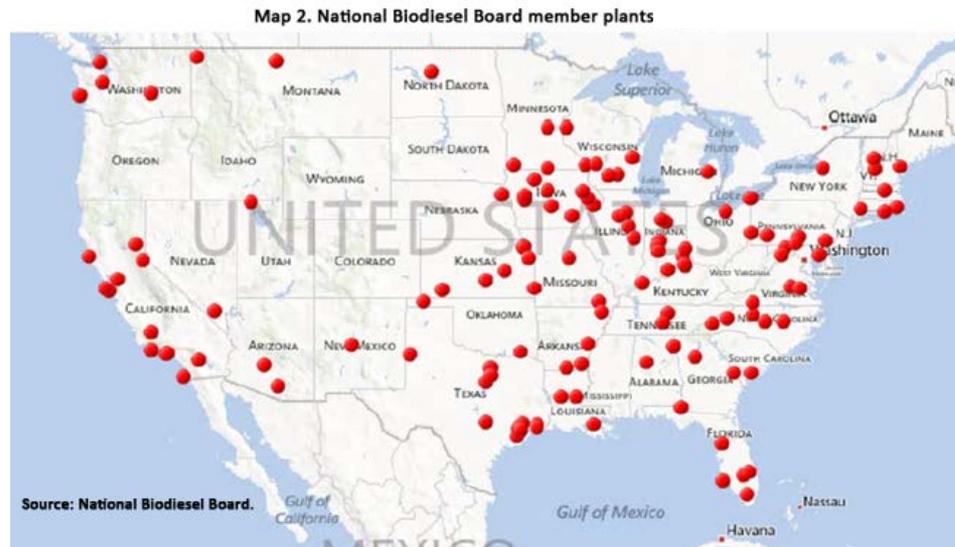


"These regulations will give Big Oil an oligopoly by destroying the small to mid-size refineries."

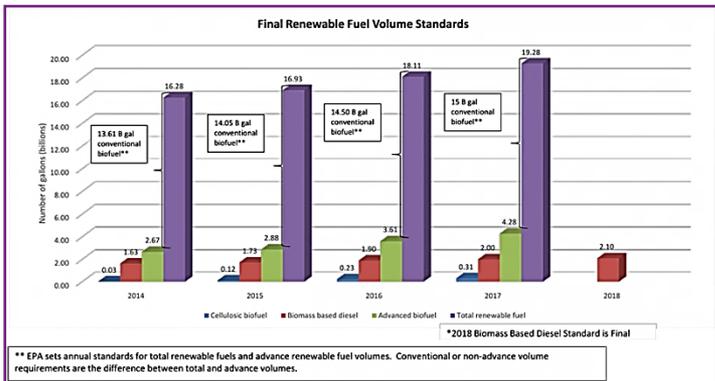
"I will protect the Renewable Fuel Standard, corn-based ethanol."



RFS and Political Realities



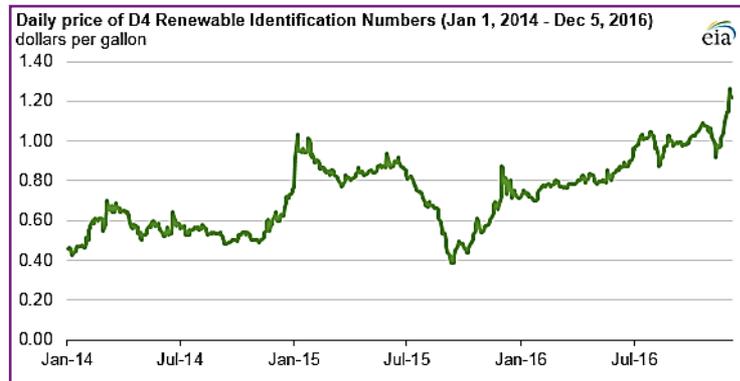
The Trump Administration Is Likely to Change RFS or Point of Obligation and Hence Affect Accompanying RINs Market



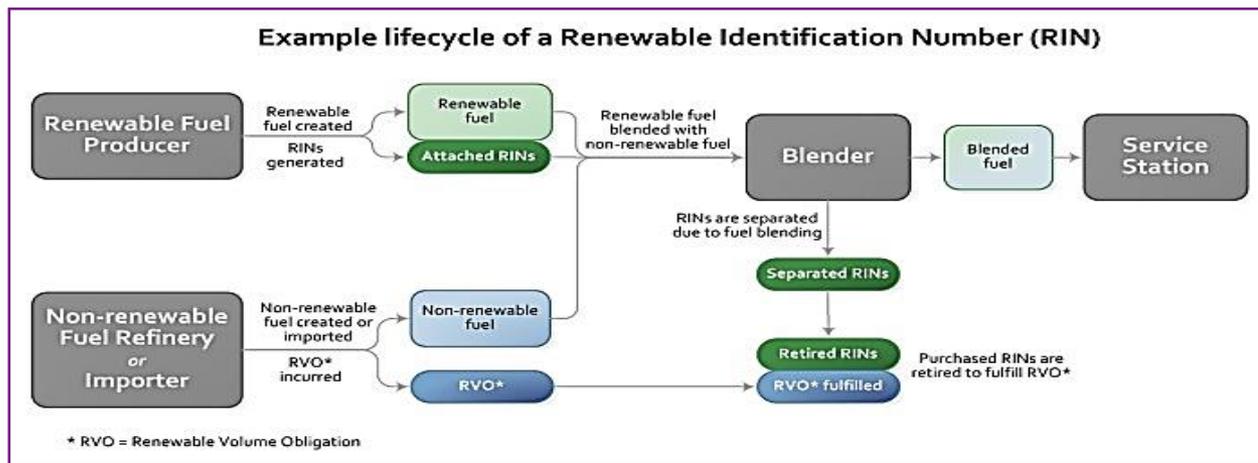
RFS Volumes Disputed Each Year



Scott Pruitt, Trump's EPA Administrator (Maybe)



RINs Prices Are Volatile



EPA Rejects Refiners' Petition to Change Point of Obligation to Blenders – But Change is Still Possible

Potential Adjustments to the 2017 RFS Standards?

Proposed 2017 Standards (May 2016 Proposal)

RFS CATEGORY*	VOLUME MANDATE (GALLONS)	PERCENTAGE STANDARD	STATUTORY VOLUME REQUIRED WITH NO EPA ADJUSTMENTS (GALLONS)
Total Renewable Fuel	18.8 billion	10.44%	24 billion
Cellulosic Biofuel (D3 & D7)	312 million	0.173%	5.5 billion
Total Advanced (D3, D4, D5, D7)	4 billion	2.22%	9 billion
Biomass-Based Diesel (D4) (Final)	2 billion	1.67%	≥ 1.0 billion

Finalized 2017 Standards (November 2016 Decision)

RFS CATEGORY	FINAL VOLUME MANDATE (GALLONS)	PERCENTAGE STANDARD	PROPOSED VOLUME MANDATE (GALLONS)	STATUTORY VOLUME REQUIRED WITH NO EPA ADJUSTMENTS (GALLONS)
Total Renewable Fuel	19.28 billion	10.70%	18.8 billion	24 billion
Cellulosic Biofuel (D3 & D7)	311 million	0.173%	312 million	5.5 billion
Total Advanced (D3, D4, D5, D7)	4.28 billion	2.38%	4 billion	9 billion
2017 Biomass-Based Diesel (D4) (Finalized in 2015)	2 billion	1.67%	2 billion	≥ 1.0 billion

Enforcement Will Continue to Evolve, Creating Uncertainty and Increasing Costs for Traders and Potentially Decreasing Liquidity

- Icahn on the RFS in the *Wall Street Journal*:
 - “The ‘wild west’ RINs market must be cleaned up if merchant refiners are to survive. First a moratorium on RINs trading should be put into place while criminal activities and the black market are thoroughly investigated.”
- Icahn has also stated:
 - The RINs market has become “the mother of all short squeezes” for the independents.
 - “They are also making secret deals with the blenders to entice them not to sell to the refineries but rather to sell to them.”
 - “These speculators are ‘hoarding’ the RINs hoping to get much higher prices as the time nears when refineries are obligated to deliver RINs to the EPA.”



Fuel Economy Standards – Trump Can Still Revise and Revisit Despite Recent EPA Action but Don't Forget About California

OBAMA ADMINISTRATION Fuel Economy Standards In the year 2025

The fleet-wide average will be **54.5** MPG. Consumers will have saved **\$1.7 TRILLION** at the pump over the life of the program.

A family that purchases a new vehicle in 2025 will save **\$8,200** in fuel costs when compared with a similar vehicle in 2010.

Over the life of the program, the standards will: Save **12** billion gallons of oil. Eliminate **6** billion metric tons of carbon dioxide pollution.

This program, together with standards already put into place by this administration for Model Years 2011-2016, will result in significant cost savings for consumers at the pump, dramatically reduce oil consumption, cut pollution and create jobs.

Targeted CAFE Standards for Cars

Segment	Make	Model	Footprint	2012	2017	2021	2025
Subcompact Car	Kia	Soul	43	34.6	41.7	48.6	58.4
Compact Car	Toyota	Corolla	43	34.6	41.7	48.6	58.4
Entry Luxury Car	BMW	3 Series	45	33.4	40.0	46.6	56.0
Midrange Sport Car	Chevrolet	Corvette	45	33.4	40.0	46.6	56.0
Compact Car	Chevrolet	Cruze	45	33.4	40.0	46.6	56.0
Midsize Car	Toyota	Camry	47	32.3	38.4	44.8	53.8
Large Car	Chevrolet	Impala	48	31.7	37.7	43.9	52.7
Midrange Luxury Car	Mercedes-Benz	E-Class	49	31.2	37.0	43.1	51.7
Entry Sport Car	Chevrolet	Camaro	50	30.7	36.3	42.3	50.7
Premium Luxury Car	BMW	7 Series	56	28.0	32.7	38.0	45.6

Targeted CAFE Standards for Trucks

Segment	Make	Model	Footprint	2012	2017	2021	2025
Compact Crossover SUV	Ford	Escape	43	29.0	34.9	40.2	48.4
Entry Luxury SUV	Lexus	RX 350	48	27.2	31.8	36.6	44.1
Compact Truck	Toyota	Tacoma	48	27.2	31.8	36.6	44.1
Midsize Crossover SUV	Chevrolet	Equinox	49	26.9	31.3	36.0	43.4
Midsize Traditional SUV	Ford	Explorer	52	25.9	29.9	34.2	41.2
Large Truck	Chevrolet	Silverado 1500	56	24.8	28.3	32.1	38.6
Large Crossover SUV	Chevrolet	Traverse	56	24.8	28.3	32.1	38.6
Minivan	Toyota	Sienna	56	24.8	28.3	32.1	38.6
Van	Ford	E-Series Van	65	22.5	25.4	28.2	33.9
Large Truck	Ford	F-150	76	22.3	25.1	25.3	30.2

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