Policy Update Reinforces Long-Term RNG Demand

The EPA finalized its RFS Set 2 rule in March 2026, establishing Renewable Volume Obligations for 2026 and 2027 at 25.82 billion and 25.98 billion RINs, respectively. In a positive development, these finalized volumes came in above the June 2025 proposed rule, driven primarily by the delay of import RIN reduction rules until at least 2028 and the reallocation of 70% of small refinery exemptions from prior years into future obligations. This effectively restores lost demand back into the system and represents a bullish signal for domestic biofuel production, reinforcing strong federal support for the industry.

While much of the increase was concentrated in the D4–D6 categories, cellulosic biofuels (D3) still saw a more moderate increase relative to the proposed levels, reaching 1.36 billion RINs in 2026. This has had an immediate bullish effect on RIN markets. Because RINs are required for compliance, higher RVOs directly increase demand for credits, while supply takes time to adjust. As a result, D4, D5, and D6 RINs have risen to around the ~$2.40 level, with D3 RINs approaching ~$2.70. This price strength reflects both the increase in mandated volumes and the need to incentivize additional production to meet those requirements.

Specific to RNG, the increase in cellulosic biofuel obligations is supportive for the industry and reinforces a clear, long-term demand signal for D3 RIN generation. While the growth in the D3 RVO is more measured compared to other categories, this reflects a more calibrated approach by the EPA—aligning mandates with current transportation demand while maintaining market stability. This approach helps ensure that credit values remain constructive and continue to support project economics, even as production expands.

RNG project development has accelerated rapidly in recent years, supported by strong fundamentals, improving technology, and attractive credit pricing. While growth in CNG vehicle adoption and transportation demand has been more gradual, this represents a meaningful opportunity for future expansion. As fleets continue to decarbonize and infrastructure develops, there is clear runway for increased RNG utilization within the transportation sector.

At the same time, RNG remains particularly well-positioned due to its diversification beyond the RFS framework. Non-transportation RNG markets continue to develop both domestically and internationally, providing additional offtake pathways and reducing reliance on D3 RIN pricing alone. This expanding demand base enhances the resilience of the sector and supports sustained project growth.

As a result, while the current RVO framework is supportive in the near term, the longer-term outlook for RNG remains constructive, with continued supply growth increasingly matched by a broader and more diversified set of end-use markets.