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National Biodiesel Board

Submitted to the Energy and Commerce Committee, Subcommittee on Environment

Hearing on Discussion Draft: The 21st Century Transportation Fuels Act.

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Summary:

- We appreciate the Subcommittee's on-going interest in the Renewable Fuel Standard and the inclusion of biodiesel in the discussion. On behalf of the biodiesel industry, we are pleased to continue to engage in this important dialogue.
- The 21st Century Transportation Fuels Act acknowledges one of our industry's frustrations with the RFS, which is that EPA sets biomass-based diesel volumes well below our industry's proven ability to produce. However, improvements to today's discussion draft are needed to incentivize further investments and support predictable year-over-year growth for our industry.
- Biodiesel is a success story of the Renewable Fuel Standard. For the foreseeable future, we expect the program will continue supporting our industry's growth.
- We want to dispel the notion that the RFS program ends in 2022. The Environmental Protection Agency is required to continue to set volumes for all categories of renewable fuels, under the process that has been used for biomass-based diesel since 2013.
- We also appreciate the Subcommittee's recognition that the biodiesel market and the RFS' treatment of biodiesel are markedly different from ethanol. Changes to the octane standard do not benefit biodiesel.

Good morning, Chairman Shimkus, Ranking Member Tonko, and Members of the Committee. Thank you for inviting me to testify today. And thank you for including the biodiesel industry and National Biodiesel Board (NBB) throughout this process. We will continue to engage in this discussion and contribute to the development of any proposals to improve the RFS program. Established in 1992, NBB is the leading U.S. trade association representing the biodiesel and renewable diesel industries, with membership including producers, feedstock suppliers, and fuel distributors. Across the country the biodiesel industry supports more than 60,000 jobs. Biodiesel is a success story of the Renewable Fuel Standard. It is the nation's first domestically produced, commercially available advanced biofuel – which means it reduces greenhouse gas emissions by at least 50 percent compared to petroleum diesel. The U.S. biodiesel industry has grown from around 400 million gallons of production in 2007 – the first year of the program – to more than 2.6 billion gallons in 2017. Biodiesel is a renewable, clean-burning diesel fuel made from a diverse mix of resources, including agricultural oils such as soybean, and canola oil, as well as recycled cooking oil and animal fats. And it is the best tool for achieving the RFS program's goals.

The 21st Century Transportation Fuels Act captures one of our industry's ongoing frustrations with EPA's implementation of the RFS. The biodiesel industry has continually proven its ability to increase production. However, the Environmental Protection Agency sets the biomass-based diesel volumes in the annual RFS rules well below our proven capacity. The agency forces us to rely on the advanced biofuel volume to drive growth; and in fact, we are regularly filling more than 90 percent of the advanced biofuel category. On top of that, EPA has destroyed demand for biodiesel by issuing an unprecedented number of small refinery exemptions, with very little evidence of the “disproportionate economic hardship” that those waivers are intended to

alleviate. Small refinery exemptions have cost our industry more than 300 million gallons of demand this year.

The discussion draft would direct EPA to support biomass-based diesel's proven production. We are concerned, however, that The 21st Century Transportation Fuels Act as currently drafted does not support continual growth. The proposal would direct EPA to set backward-looking volume requirements; it may protect existing assets but not drive investment and further growth. And it would not address several of the causes of instability in the program, such as retroactive small refinery exemptions. The Renewable Fuel Standard has been the foundation for the biodiesel industry's growth over the past decade and remains a driver of new investment.

For the biodiesel industry, there is no pressing need to significantly reform or replace the Renewable Fuel Standard. The program does not sunset or change drastically in 2022, as many believe. After 2022, EPA will use the same well-established process to set volumes for all biofuel categories that it has used to set biomass-based diesel volumes since 2013.

And Congress already provided guidance to the agency in the existing statute about how to determine those volumetric requirements for years 2023 and beyond. EPA must maintain the same proportion of annual advanced biofuel in the program as that achieved in 2022, which will continue to provide opportunity for biodiesel growth. The 21st Century Transportation Fuels Act proposes to abruptly end its support for biodiesel production in 2032, while the RFS continues beyond that.

The biodiesel industry would not benefit from the proposed change to the octane standard or other regulatory changes. Biodiesel does not require special fuel pumps or engine modifications. In fact, nearly all automobile manufacturers support biodiesel blends up to 20 percent. Biodiesel is used from coast to coast—for heavy-duty trucking, in farm equipment, and for compliance

with low-carbon fuel standards and fleets, such as emergency vehicles and buses. And there are biodiesel production plants in nearly every state.

So, what can Congress do to ensure that biodiesel and advanced biofuels continue to meet U.S. transportation fuel needs? The biodiesel industry has proven its ability to produce over and above the volumes set each year by EPA. We continue to grow and to invest under the current RFS, even in the face of policy uncertainty, because that policy promises opportunity for further growth. We appreciate that The 21st Century Transportation Fuels Act would direct EPA to set volumes according to our proven capacity to produce. We would prefer if it provided long-term certainty and predictable growth over time.

In sum, the RFS has been a tremendous success:

Jobs Are Created, Economies Grow. With biodiesel plants nationwide—from California to Texas to North Carolina—the biodiesel industry directly supports more than 60,000 jobs, \$11.42 billion in economic impact, and \$2.54 billion in wages paid. In many rural areas of the country, biodiesel plants are a driving force of the local economy, supporting the employment of technicians, plant operators, engineers, construction workers, truck drivers, and farmers. Producers nationwide are poised to expand production and hire new workers with steady growth under the RFS. Every 500 million gallons of increased biodiesel production directly and indirectly supports 16,000 additional jobs.

Value Is Added to Other U.S. Economic Sectors, Such as Agriculture. Biodiesel provides very strong soybean price support. Biodiesel importantly allows U.S. soybean farmers to be more competitive in the global protein market, as demand for biodiesel supports U.S. soybean processing and export opportunities. Policy certainty is one of the most important factors in making significant investment decisions in value-added businesses like biodiesel.

Consumers Get Choice at the Pump. Biodiesel is a cost-effective, renewable alternative to petroleum diesel that, with help from the RFS, is saving diesel consumers money. Each gallon of RFS-qualified biodiesel is accompanied by a RIN credit. The value of that credit, which is traded on the open market, is factored into the value of each gallon of biodiesel. This added value allows producers to sell biodiesel at a lower price to fuel distributors or fleet managers, who can then pass along savings to consumers.

Energy Security Is Enhanced. Biodiesel is diversifying our fuel supplies so that we are less dependent on global oil markets that are influenced by unstable regions of the world and global events beyond our control. Despite increased domestic oil production, consumers will remain vulnerable to volatile international oil prices without diversity and competition in the fuels market.

Environmental Benefits Are Secured. According to EPA, biodiesel reduces lifecycle greenhouse gas emissions by between 57 percent and 86 percent compared to petroleum diesel. The 15.5 billion gallons of biodiesel used through 2017 have cut greenhouse gas emissions by the same amount as removing more than 30 million passenger vehicles from America's roadways. EPA consistently cites tailpipe emissions from traditional diesel—primarily from older trucking fleets and other heavy-duty vehicles—as a major national health hazard. Substituting higher amounts of biodiesel for traditional diesel fuel is the simplest, most effective way to immediately reduce air pollution and greenhouse gas emissions.

On behalf of the biodiesel industry, I appreciate the opportunity to continue to engage in this discussion.