



National Biodiesel Board	National Biodiesel Board
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Biodiesel Tax Incentive

The biodiesel tax incentive has played a key role in stimulating growth in the U.S. biodiesel industry in recent years, helping it become the leading producer of EPA-designated Advanced Biofuel in the nation. By making biodiesel more cost-competitive with petroleum diesel, the \$1-per-gallon credit creates jobs, strengthens U.S. energy security, reduces harmful emissions, diversifies the fuels market and lowers costs to consumers. Nonetheless, Congress has allowed the incentive to expire repeatedly in recent years, and the incentive is again slated to expire on Dec. 31, 2016. *We are urging Congress to pass a long-term extension of the incentive as proposed by Reps. Kristi Noem (R-S.D.) and Bill Pascrell (D-N.J.) in H.R. 5240 and Sens. Charles Grassley (R-Iowa) and Maria Cantwell (D-Wash.) in S. 3188 to convert the incentive from a blender's credit to a producer's credit focused on domestic production.*

- **The Tax Incentive Works:** The U.S. biodiesel market has grown from about 100 million gallons in 2005, when the incentive was first implemented, to nearly 2.1 billion gallons in 2015. Biodiesel producers across the country have tremendous capacity for growth and are poised to expand and hire. But while traditional oil incentives are written permanently into the tax code, the biodiesel incentive has repeatedly expired, severely disrupting producers' access to capital and ability to hire and expand.
- **Producer's Credit:** The latest version of the tax incentive as approved without objection by the Senate Finance Committee last year reforms the incentive to a domestic production credit, ending a practice where growing volumes of imported fuel are eligible for the credit simply by being blended in the U.S. Subsidizing foreign production is obviously not the intent of Congress, and we should close this loophole by reforming the credit to focus on domestic production. The reform would:
 - **Save Taxpayers Dollars:** Biodiesel imports to the U.S. have grown sharply in recent years, largely as a result of the tax credit. In 2013 and 2014 combined, the U.S. Treasury spent more than \$800 million on tax credits for imported biodiesel and renewable diesel. Importantly, this fuel often had already received subsidies in its country of origin. According to the Joint Committee on Taxation, this reform would save U.S. taxpayers \$90 million.
 - **Mobilize Excess U.S. Capacity:** With more than one billion gallons of underutilized capacity, biodiesel producers across the country are waiting for the right policy signals to expand production. Under this reform, the U.S. industry would more fairly compete with imports and quickly ramp up production.

- **Streamline IRS Administration:** Today, thousands of “blenders” are registered to blend biodiesel, creating a decentralized system that is difficult for the IRS to administer. However, fewer than 200 companies are producing biodiesel and renewable diesel today. This reform would significantly streamline administration of the credit and avoid fraud or abuse by sharply narrowing the number of potential claimants for the credit.
- **Economic Benefits:** With nearly 200 biodiesel plants nationwide – from California to Iowa to North Carolina – the biodiesel industry already is supporting some 47,400 jobs along with \$1.9 billion in wages and \$8.4 billion in total economic activity. In many rural areas of the country, biodiesel plants are a driving force of the local economy.
- **Energy Security:** Biodiesel is diversifying our fuel supplies so that we’re not so vulnerable to global oil markets that are heavily influenced by unstable regions of the world and global events beyond our control. Despite increased domestic production, consumers will remain vulnerable to volatile international oil prices without diversity and competition in the fuels market.
- **Environmental Benefits:** Biodiesel is made from an increasingly diverse mix of resources such as recycled cooking oil, plant oils and animal fats. The EPA has recognized its environmental benefits by classifying it as an Advanced Biofuel, making biodiesel the only commercial-scale U.S. fuel produced nationwide to meet the agency’s criteria. According to the EPA, biodiesel reduces greenhouse gas emissions by 57 percent to 86 percent when compared to petroleum diesel. In addition, biodiesel dramatically reduces most major air pollutants.
- **Level Playing Field?:** Energy is a capital-intensive industry that is uniquely critical to the U.S. economy. Republicans and Democrats have recognized this for decades with smart policies aimed at developing domestic energy resources, whether in nuclear power, oil and gas, coal or renewables. Ending that approach now would not “level the playing field.” It would instead lock in incumbent industries, which in the transportation sector means perpetuating an oil monopoly that is dangerous to our economic future and national security. Further, many of those entrenched industries continue receiving significant public support, including \$4-5 billion a year in tax breaks for the oil and gas sector. (Source: <http://budget.house.gov/uploadedfiles/crsr42374.pdf>).
- **The Future/U.S. Competitiveness:** Biodiesel already is one of the most diverse fuels in the world, produced using everything from soybean oil to animal tallow to used cooking grease. Industry demand for less expensive, reliable sources of fats and oils is stimulating – and often financing – promising research on next-generation feedstocks such as algae and camelina. The development of these new technologies is critical to our global competitiveness.