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Senate Committee on Finance
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Written Statement of Anne Steckel
Vice President of Federal Affairs, National Biodiesel Board

Senate Finance Committee
United States Senate
Energy Tax Policy in 2016 and Beyond
June 14, 2016

We appreciate the opportunity to submit a written statement to the Senate Finance Committee for the record of the June 14, 2016 hearing titled, "Energy Tax Policy in 2016 and Beyond."

The National Biodiesel Board (NBB) is the U.S. trade association representing the biodiesel and renewable diesel industries. Biodiesel and renewable diesel are renewable, low-carbon diesel replacement fuels made from a variety of fats and oils, including recycled cooking oil, animal fats and plant oils such as soybean oil and canola oil. The EPA has determined, based on the performance requirements established by the Energy Independence and Security Act, that biodiesel qualifies as an "Advanced Biofuel" under the Renewable Fuel Standard (RFS), meaning it reduces greenhouse gas emissions by at least 50 percent, according to EPA analysis, when compared to petroleum diesel. Biodiesel is the only commercial-scale fuel sold and produced across the United States to achieve this designation. The fuel meets a strict fuel specification set forth by ASTM International, the official U.S. fuel-certification organization, and it is primarily used in blends of 5 percent to 20 percent. Biodiesel does not require special fuel pumps or engine modifications.

With biodiesel plants in nearly every state in the country, the biodiesel tax incentive is proven to create jobs and economic activity nationwide – not just at biodiesel refineries but also in agriculture, manufacturing, rendering, transportation and other associated industries. Biodiesel plants are a primary economic engine in many rural communities. The incentive is also lowering fuel prices for American consumers, particularly in the diesel market that powers much of the nation's commerce.

In part as a result of the tax incentive, biodiesel use in America has grown from roughly 112 million gallons in 2005 when the tax incentive was first implemented to nearly 2.1 billion gallons last year. Many truck stops and retail stations across the country today sell diesel blends containing 10 percent to 20 percent biodiesel. This is not just helping to create a new American energy industry, it is significantly reducing pollution while strengthening our energy security by diversifying our fuel sources. Biodiesel also accounts for the vast majority of Advanced Biofuel being delivered under the RFS today.

Despite its success, the incentive has expired repeatedly in recent years and is slated to lapse yet again at the end of 2016. This cycle of uncertainty surrounding the incentive has severely disrupted the growth and development of the U.S. biodiesel industry.

Biodiesel manufacturing is a difficult and capital-intensive enterprise, and biodiesel remains a young, developing industry. It needs predictable federal tax policy to continue to attract investment, build infrastructure and continue growing so that it can compete with incumbent industries that have long received favorable tax preferences. When compared to other major fuels such as gasoline, diesel and ethanol, biodiesel is at a fundamentally different stage of development.

The loss of this tax incentive, even temporarily, effectively amounts to a tax increase on the industry that has invested billions in production and to consumers who purchase diesel fuel. It would hamper growth and stunt investment in an industry that is helping to lead U.S. innovation toward a cleaner, more diversified domestic fuel supply.

On behalf of producers across the country and thousands of employees in the industry, NBB is calling on Congress to act quickly in adopting a seamless, long-term extension of the biodiesel tax credit that provides the stability and incentive necessary to drive growth and investment.

Additionally, we would like to again take this opportunity to convey our industry's united support for reforming the incentive into a domestic production credit that stimulates American jobs and manufacturing.

As you know, this Committee approved this cost-saving reform in 2015 without objection. Senators recognized that we should not be spending hundreds of millions of dollars annually to support foreign fuel production, and that U.S. tax policy should instead be aimed at developing U.S. production and jobs.

Unfortunately, the reform was not included in the final tax extenders legislation Congress passed late last year. Since then, new government data show the problem has only grown in scale. According to year-end EPA figures for 2015, biodiesel imports to the US skyrocketed last year to a record of 670 million gallons, roughly one-third of the U.S. market. Under the current blender's structure of the tax incentive, each of these gallons – simply by being blended in the U.S. – was eligible for the \$1-per-gallon credit.

Spending more than \$600 million annually to stimulate foreign fuel production was clearly not the intent of Congress in creating this incentive. This is a loophole that should be closed, and according to the Joint Committee on Taxation, doing so would save the Treasury some \$90 million as imports are reduced and domestic production rises.

Not only is it the right thing to do for taxpayers, but it would restore fair competition for American biodiesel producers. Under the current system, foreign biodiesel producers are receiving subsidies in their country of origin and then shopping their fuel to the U.S. to access the U.S. incentive. This double-dipping of incentives gives them a tremendous cost advantage– creating a situation where a U.S. tax

incentive that was specifically intended to stimulate American biodiesel production is helping give foreign companies a competitive edge over their American counterparts.

According to a recent economic study, every 100 million gallons of U.S. biodiesel production supports roughly 3,200 jobs. The tax incentive should be structured in a way that gives American companies a fair chance at creating those jobs here in the U.S. With more than 1.5 billion gallons of unused production capacity standing ready to be deployed nationwide, the U.S. industry is poised to grow and hire with the right policy.

Again, thank you for the opportunity to submit comments on this matter. Please don't hesitate to call us at (202)-737-8801 with questions.

Sincerely,

A handwritten signature in black ink that reads "Anne Steckel". The signature is written in a cursive style and is positioned above a thin horizontal line.

Anne Steckel
Vice President, Federal Affairs
National Biodiesel Board