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April 12, 2016

The Honorable Orrin Hatch
Chairman
U.S. Senate Committee on Finance
104 Hart Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
U.S. Senate Committee on Finance
221 Dirksen Office Building
Washington, DC 20510

CC: The Honorable Charles Grassley and The Honorable Maria Cantwell

Dear Chairman Hatch and Ranking Member Wyden:

On behalf of US biodiesel producers across the country, we are writing to again convey our industry's united support for reforming the U.S. biodiesel tax incentive to a domestic production credit that stimulates American jobs and manufacturing.

As you know, this Committee approved this cost-saving reform last year 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 must 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 clearly aimed at stimulating 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 nearly 3,650 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.

We urge you to seize the opportunity provided under the tax title of the Federal Aviation Administration Reauthorization Act to reform and extend the biodiesel tax incentive as proposed by Sens. Chuck Grassley, R-Iowa, and Maria Cantwell, D-Wash.

If you would like to get in touch with our office, please don't hesitate to call us at (202)-737-8801 with questions or requests.

Sincerely,

A handwritten signature in black ink that reads "Anne Steckel". The signature is written in a cursive, flowing style.

Anne Steckel
Vice President, Federal Affairs
National Biodiesel Board