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**Testimony of Donnell Rehagen
Chief Executive Officer, National Biodiesel Board**

**U.S. Environmental Protection Agency
Public Hearing on Renewable Fuel Standard
August 1, 2017
Washington, DC**

Good morning. Thank you for your time today, and thank you for the opportunity to be here.

I am Donnell Rehagen, the chief executive officer for the National Biodiesel Board (NBB). Our organization represents the entire U.S. biomass-based diesel value chain—from feedstock suppliers to end users—so we are uniquely positioned to offer comments on this proposal. We look forward to working with you to improve the overall program by growing renewable energy alternatives as the law prescribes.

Since becoming CEO in November, I have travelled across the country meeting with suppliers, producers, distributors and the amazing American workers this policy has helped support. They are eager to help the Renewable Fuel Standard (RFS) meet its full potential—something that will be impossible if the current proposed volumes are not increased.

The proposed numbers shortchange the progress we have made and are a step back for the RFS, job creation, small businesses and rural economies. Let me assure you these steps backwards are not about paper, they are about people.

They impact high quality jobs in small counties that have no other industry.

They impact business decisions that involve layoffs and closures. As just one example, Glen Hansel is the plant manager for Iowa Renewable Energy (IRE) in Washington, IA. Glen is a passionate supporter and advocate for biodiesel and believes in the energy security that renewable fuels bring to America.

More than 30 people work at IRE and depend on growing demand for biodiesel for their livelihood. Without a strong RVO, his job and many others may not be there next year.

Setting biomass-based diesel volumes as a floor, below even current production and well below capacity, ignores economic realities and the real intent of the law, which is to grow demand for advanced biofuels.

Furthermore, it is an affront to our industry and those who have risked everything to make the RFS a success.

Most of the plants in production today were built AFTER the RFS was implemented and their very business plans were based on the promise of the RFS.

Throughout today and in our written comments we will address specifics, including feedstock, capacity, distribution and economic impacts.

But I will tell you right now, this proposal neglects a significant opportunity. It disregards the key role these numbers play to support sustainable and moderate growth and the cost benefit that brings to consumers.

It overlooks the significance of Glen and his coworkers and what their jobs means to their families and community.

On behalf of our industry, I am asking that you provide for growth in the biomass-based diesel and advanced biofuels categories similar to what we have proposed. Our industry stands ready to respond and deliver even higher volumes of biomass based diesel, giving American consumers a choice at the pump, increasing our nation's energy independence, and creating even more jobs and economic opportunities in the areas of the country who need them the most.

We appreciate the work and time that goes into building these proposals, and thank you for the opportunity to address this. We look forward to working with you over the coming weeks to continue improving this program.

The National Biodiesel Board is the national trade association representing America's first advanced biofuel, comprised of state, national and international feedstock and feedstock processor organizations, biodiesel suppliers, fuel marketers and distributors, and technology providers.

**Testimony of Anne Steckel
Vice President of Federal Affairs, National Biodiesel Board**

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My name is Anne Steckel, and I am vice president of federal affairs for the National Biodiesel Board (NBB). We represent several hundred companies and thousands of employees working in the biodiesel and renewable diesel industries across the country.

Last year, with support from the Renewable Fuel Standard (RFS) and a timely announcement, Americans used nearly 2.9 billion gallons of biodiesel and renewable diesel across all RFS categories. More than 2.6 billion gallons qualified as biomass-based diesel. U.S. biomass-based diesel production is essentially all advanced. It has been the success story of the RFS.

Yet in the pending RFS proposal, the U.S. Environmental Protection Agency (EPA) has suggested that biomass-based diesel should stay at the same level as 2018, which is 2.1 billion gallons, *in 2019*. This makes little sense when we've already seen volumes above 2.6 billion gallons in 2016, and Congress prioritized growth in advanced biofuels.

Keeping the volume at 2.1 billion gallons in 2019 fails to capitalize on the significant potential and capacity for growth in the biodiesel industry.

Already, as we begin to analyze EPA data for biomass-based diesel, 2017 has seen increases in volumes—even in this uncertain environment. History tells us the volumes will likely be even higher in the second half of the year.

Likewise, the proposal for 4.24 billion gallons of overall advanced-biofuel category in 2018 serves as a status quo volume for advanced biofuels when factoring in cellulosic. EPA reported more than 4 billion renewable identification numbers (RINs) generated for biomass-based diesel alone in 2016. EPA's proposal then falls well short of creating the strong demand needed to significantly move the market in the direction of advanced biofuels.

Rather than growing advanced biofuels—as EPA has acknowledged Congress wanted under the expanded RFS program—the proposal provides for no growth of advanced biofuels and searches for a reason to go backwards. That is simply counter to the statute. This proposal only perpetuates the status quo that Congress decisively sought to change in passing the RFS—the lack of real, sustainable alternatives to petroleum, particularly diesel fuel, which the U.S. Energy Information Administration projects will see continued increases in consumption and prices.¹ The RFS was designed to drive investment and innovation by providing stability and incentives for the development of clean alternative fuels. This proposal falls short of that goal.

We believe a 2019 biomass-based diesel volume of at least 2.75 billion gallons represents reasonable, practical and sustainable growth that reflects the actual goals of the RFS and provides a better understanding of the capacity of the industry.

Additionally, we are calling for a higher advanced biofuel volume of at least 5.25 billion gallons for 2018.

Raising biodiesel's RVO is critical, because it meets all the goals Congress sought in passing and expanding the RFS:

- It is an advanced biofuel, reducing toxic petroleum diesel exhaust emissions and greenhouse gas emissions. Because biodiesel feedstocks are typically co-products and waste products, it also reduces wastes in landfills and our sewer systems.
- It promotes energy independence, even when you include imports, as EPA has stated in the past. The RFS has helped move away from our dependence on fossil fuels, improving the diversity in our energy supply. Biodiesel alone, due to its diverse set of feedstocks, is a great contributor to these goals.
- It promotes the rural economy, providing numerous high-skilled jobs where they usually are few and far between. It also promotes food security by adding value to the farming, crushing and livestock industries.
- Finally, EPA refers to costs, but EPA has also recognized that the RFS has resulted in cheaper fuel at the pump through the inclusion of biodiesel.
- The environment, public health, the economy and consumers are benefitting.

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Despite all this, EPA's proposal fails to acknowledge and provide the certainty and support the domestic industry needs. As you review this proposal in the coming weeks, we urge you to reconsider the proposed volumes and finalize volumes for biomass-based diesel of at least 2.75 billion gallons for 2019 and for advanced biofuels of at least 5.25 billion gallons for 2018.

We ask you to keep this question in mind: are we doing everything we can, under the law as Congress intended, to ensure that we're using as much biodiesel, renewable diesel and other advanced biofuels as we can?

I appreciate the opportunity to testify today and welcome any questions you might have.

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**Testimony of Doug Whitehead
Chief Operating Officer, National Biodiesel Board**

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Good morning. Thank you for having me.

My name is Doug Whitehead, and I am the chief operating officer for the National Biodiesel Board (NBB). The National Biodiesel Board represents the biodiesel and renewable diesel industry, and includes members all along the supply chain. The biodiesel industry is a great illustration of U.S. ingenuity, providing a clean-burning alternative to diesel fuel.

The Renewable Fuel Standard (RFS) program was intended to provide certainty to support increased production of renewable fuels. The National Biodiesel Board has long supported the U.S. Environmental Protection Agency's (EPA) efforts to implement the program as Congress intended, and we appreciate this administration's assurances that it intends to finalize the standards in a timely manner.

The biomass-based diesel industry has responded to Congress' directives under the RFS program. It has made investments, it has diversified its feedstocks, and it has become more efficient—all the while, promoting the goals of the program: creating a better environment, improving the economy, and strengthening this country's energy independence and security. Indeed, every 100 million gallons of increased biodiesel production supports roughly 3,200 jobs.

We appreciate the ability to work with EPA's staff on these issues. Today, you have heard and will be hearing from numerous individuals from across the country that support biodiesel. They are here to help you better understand why we are urging responsible and continued growth in both the 2018

advanced biofuel program to at least 5.25 billion gallons and the 2019 biomass-based diesel program to at least 2.75 billion gallons.

In 2015, NBB testified before EPA asking for a volume of 2 billion gallons for biomass-based diesel for 2016. We explained that this was conservative, and could be easily met. EPA ultimately set a volume of 1.9 billion gallons for 2016, and the industry provided more than 2.6 billion gallons of biomass-based diesel. In 2016, we suggested to EPA that a 4-billion-gallon advanced-biofuel program was more than reasonably attainable, and, again, the biomass-based diesel industry delivered. This was despite the fact that 2014 and 2015 were hard years for the industry, due to EPA's delay in issuing standards.

EPA contends it has concerns about imports, but domestic production capacity is significantly underutilized, with 4.2 billion gallons of registered capacity according to EPA's own assessment. This doesn't even include non-registered plants or foreign production we expect will continue to reach our shores. EPA's proposal doesn't acknowledge the ability of the domestic industry to step up to the plate when given proper signals by EPA. We are also concerned by the request for comments on matters that are outside the scope of the standard-setting process and other policy issues that are in the rightful purview of Congress and other agencies.

Made from a diverse mix of resources such as recycled cooking oil, soybean oil, canola oil, distillers corn oil and animal fats, biodiesel is a renewable, clean-burning diesel replacement used in existing diesel engines without modification. The first advanced biofuel designated by EPA with commercial-scale production across the country, it has accounted for the majority of advanced biofuel delivered under the RFS. With plants in nearly every state of the country and tremendous untapped production capacity, the industry is poised for expansion under a strong and growing RFS.

We look forward to engaging with you in the coming months to demonstrate that higher volumes are easily attainable and will provide benefits to the economy and consumers.

Thank you.

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**Testimony of Scott Fenwick
Technical Director, National Biodiesel Board**

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Good morning.

My name is Scott Fenwick, technical director for the National Biodiesel Board (NBB). I've been involved in the fuels industry for more than 25 years. I also serve as an officer within the ASTM D02 Committee, which has jurisdiction over the methods and specifications for petroleum products, liquid fuels and lubricants. I have been nominated to be its next chairman.

In that capacity, I work closely with original engine manufacturers (OEMs), petroleum refiners, distributors, fuel retailers and others throughout the fuel supply chain. We work collaboratively with these stakeholders to ensure biodiesel is a drop-in fuel, and the market today has shown it can be used

in a variety of locations, temperatures, and numerous and diverse applications. The biggest constraint we see for increased use is the U.S. Environmental Protection Agency's (EPA) slow walk toward growth and now apparent stagnation for biomass-based diesel.

EPA's proposal appears to mostly rely on the same flawed analysis from 2017, which underestimated the country's distribution and use of biodiesel. 2016 has already proven about 2.9 billion gallons of supply in the United States which is significantly higher than the proposal for the next two years.

Others will testify about feedstock availability and imports, but I am here to provide testimony on the ability of the market to incorporate higher blends of biodiesel. This market extends across the country, in rural areas, urban areas, on-road, off-road and even in homes, building and factories. The flexibility of biodiesel is that it can be used throughout the distillate fuel market. This market is expected to increase, and the RFS program should ensure continued growth in renewable fuels for that market.

First, we believe that there is a strong consumer base for use of biodiesel at higher volumes. As you are aware, NBB tracks the recommended approval levels and biodiesel positions for nearly every OEM. Given the number of vehicles on the road today that are already approved for B20, which includes numerous legacy vehicles, there is substantial room for growth above the 2.9-billion-gallon estimate. Not only is there substantial room for growth, but consumers do *choose* biodiesel. They choose it because of the lower costs at the pump, the performance benefits of lubricity and combustion over petroleum diesel, and because of the improved air quality for their communities.

Despite the latest headlines on diesel fuel and the compression ignition engine, the latest national vehicle data shows an increase of nearly a million more diesel vehicles registered today than just two years ago. The on-road transportation fuel market alone would account for 2 billion gallons of biodiesel consumed with just B5 blends (approved in all vehicles).

Secondly, fleets are well positioned to use biodiesel, and the fuel is getting to consumers. The biodiesel industry has been very flexible to meet its various markets, and we continue to work toward further easing distribution. Expansion of biodiesel distribution in pipelines is proceeding, with work and trials in multi-product pipelines carrying jet fuel ongoing.

With regards to distribution and retail infrastructure, biodiesel plants are located across the country and do not need to be within every terminal for distribution. Sales are often made directly to end users and other blenders below the rack. Moreover, recent studies have also dispelled the notion that biodiesel cannot be stored as long as petroleum diesel. The growth in markets in states like Texas, Minnesota and Illinois show how well the markets can adjust when policies are enacted which provide certainty.

For example, fuel suppliers and retailers in Illinois are able to adjust the blends they sell as needed. Retailers are able to offer multiple blends throughout the year to meet the market demands with limited infrastructure, including those with only a single storage tank. Within most retail sites, B11 blends and higher are sold to meet the requirements for exemption of the state motor fuels tax. In many locations, B20 blends are sold to take advantage of the economics when biodiesel pricing is lower.

Third, biodiesel is being used beyond on-road vehicles. It is already a significant part of the heating oil market, while locomotive and marine uses continue to be expanded. The full implementation of ultra-low sulfur diesel (ULSD) as fuel for heating oil, locomotives and marine use enables those additional tanks to be freed for storing biodiesel and biodiesel blends.

In sum, we believe that the existing infrastructure can handle significantly higher volumes of

biodiesel. The market has shown its ability to respond to higher volumes under the RFS and is more than capable of meeting the goals of Congress.

We believe we have had a good working relationship with the technical staff at EPA, and look forward to working with them on this very important issue.

We will be happy to submit more detail in our written comments.

Thank you.

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