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VIA ELECTRONIC FILING

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Re: Docket ID No.: EPA-HQ-OAR-2015-0111

Regulation of Fuels and Fuel Additives: Standards for 2014, 2015, and 2016 and Biomass-Based Diesel Volume for 2017.

Dear Administrator McCarthy:

We are writing to urge the Administration to revisit the proposed 2014, 2015, 2016, and 2017 Renewable Fuel Standard (RFS) volumes for Biomass-Based Diesel and the 2014, 2015 and 2016 RFS volumes for Advanced Biofuel. We are particularly concerned that this proposal re-establishes volumes already produced in 2013 and 2014, especially when considering already established monthly run rates of nearly 220 million gallons which converts to annual industry run rates of more than 2.5 billion gallons.

First want to thank you and your EPA staff for your continued commitment to administering this program and the hard work you have put into improving the policy from the initial proposal that came out in 2013. We truly believe your team has been accessible to our industry and your updated proposal will help stabilize our young but productive advanced biofuels industry.

Now that the proposal is behind us and we are working towards a final rule we intend to work with you to further strengthen both the Biomass-based Diesel and the Advanced Biofuels programs.

In the interest of facilitating our discussion, we are writing to outline our position regarding annual volumes for Biomass-based Diesel, which as you know comprises biodiesel and renewable diesel. We believe the evidence clearly shows that stable, growing biodiesel volumes will help achieve this Administration's goals for strengthening the economy, reducing costly pollution and greenhouse gas emissions, and ultimately diversifying and strengthening fuels markets that are now dangerously dependent on petroleum. The RFS and specifically the

Biomass-based Diesel program do this in a cost-effective way that benefits consumers through lower costs at the diesel pump.

Biodiesel is the cleanest fuel available today on a commercial scale nationwide. It is without question the most successful Advanced Biofuel, and it has delivered the vast majority of Advanced Biofuel under the program. Looking forward, we can do more and we should do more.

According to the EPA's own calculations, biodiesel reduces greenhouse gas emissions by 57 percent to 86 percent -- with today's feedstock usage ratio we are averaging over 80% greenhouse gas emission reductions when compared to baseline diesel fuel. That is an incredible reduction, particularly when you consider that the transportation sector accounts for more than a quarter of total U.S. greenhouse gas emissions. In fact, strong biodiesel growth under the RFS can make a significant impact in helping us reach the goals that President Obama has outlined in the United Nations Framework Convention on Climate Change. This Administration has committed to reduce greenhouse gas emissions by 26-28 percent by 2025. As you know, the transportation sector accounts for 28 percent of U.S. greenhouse gas emissions, second only to the electricity sector, which accounts for 32 percent. This rulemaking is a key test of that commitment, and is one of the only opportunities the Administration has to achieve meaningful emissions reductions in the transportation sector for the foreseeable future. In fact -- using federal emissions reductions estimates for biodiesel - the Administration can achieve nearly one-fifth of its 26-28 percent goal in the transportation sector share solely by increasing Biomass-based Diesel use through 2025 in line with the volume growth outlined below.

To meet these goals, we have to take bold actions in the transportation sector, not just in electricity. We have to end our dependence on petroleum, and biodiesel is one of the most practical, cost-effective fuels available today to do that.

To put into better perspective, in the last 10 years -- 6 of which have been under the direction of President Obama we have replaced petroleum diesel with 8.2 billion gallons of biodiesel and have cut 75.5 million metric tons of carbon pollution -- an equivalent of removing 15.9 million cars from America's roadways. Imagine what we can do -- with EPA's help over the next 10 years.

EPA has proposed 1.8 billion gallons and 1.9 billion gallons of Biomass-based Diesel in 2016 and 2017, respectively. It is in this context that, after careful review of industry capacity, feedstock availability and other factors, the National Biodiesel Board believes our original request for 2.4 billion gallons and 2.7 billion gallons is reasonable and achievable. However, we believe any volume less than 2 billion gallons and annual increases of less than 300 million gallons through 2017 would be unreasonable, particularly when you consider the availability of prior year RINs. This is a modest increase of 300 million gallons from your proposed volume of 1.7 billion gallons in 2015. While the 300 million gallons means a great deal for our energy and environment

goals, as well as to the U.S. biodiesel industry that small increase is virtually undetectable by the feedstock markets or the petroleum marketplace.

Specifically in response to your proposal, we believe you have significantly underestimated the volume of imports that are already making their way into the U.S, and you will substantial information in our comments that will confirm our understanding of the import marketplace. Already, we are seeing an uptick in biodiesel imports from Argentina and we expect that trend to strongly continue.

Additionally, however, the failure to propose stronger biodiesel volume increases that more closely mirror the volume of the Advanced Biofuels category of 3.4 billion gallons has already led to new influxes of sugarcane ethanol entering the U.S. which is beginning to fill the overall Advanced Biofuel bucket. Clearly, the intent of Congress in creating the program – passed under the Energy Independence and Security Act of 2007 – was to generate more domestic production in the bio-mass based diesel pool rather than creating a situation where US ethanol producers are shipping ethanol overseas and Brazil producers are sending ethanol to the U.S. In that context, we are also requesting steady growth in the overall “Advanced Biofuels” program to accommodate biodiesel and renewable diesel, which has more than 5.0 billion gallons of registered capacity at EPA and converts to at least 7.5 billion ethanol equivalent gallons of Advanced Biofuels. We think anything less than 4 billion gallons (at least for 2016) should be considered unreasonable.

Biodiesel is the most successful Advanced Biofuel to date under the program. In fact, it is the first and only Advanced Biofuel to reach commercial-scale production, and it has helped make up for the shortfall in others Advanced Biofuels to ensure that annual RFS targets are met.

As you know, despite a year of uncertainty, Biomass-based Diesel production under the RFS reached 1.75 billion gallons in 2014, a slight drop from record production of 1.8 billion gallons in 2013. Because of biodiesel’s higher energy content, these gallons counted as more than 2.7 billion gallons under the Advanced category – filling the vast majority of Advanced Biofuel production.

Since 2013, the severe delays in finalizing RFS volumes have been a significant setback in the industry’s evolution. The National Biodiesel Board (NBB) recently conducted an analysis of private and public data to identify at least 54 biodiesel plants in 30 states that have either idled production or shut down over the past two years as the EPA failed to implement a functioning RFS for 2014 and beyond. This includes 25 plants that have closed and 29 plants that have idled temporarily. Dozens of other plants have sharply reduced production.

Meaningful growth in both the Biomass-based Diesel and Advanced Biofuels volumes is necessary to restore confidence and stimulate investment and expansion. Additionally, we believe the above volume targets are warranted to help accommodate growing imports of biodiesel into the U.S. from countries like Argentina while at the same time incentivizing

domestic production as Congress intended. The EPA's decision to streamline feedstock certification for Argentinian biodiesel, in particular, is widely expected to result in significant new volumes of Argentinian biodiesel coming to the U.S. Additionally we anticipate that already mature biodiesel and renewable diesel markets from Singapore, the European Union and South Korea will continue to ship product to the U.S. at increasing levels over the next three years. Since 2013, more than 800 million gallons of biodiesel and renewable diesel have been imported into the United States and has received credit under the RFS. In 2015, we anticipate total imports of approximately 600 million gallons and in 2016 and 2017 volumes that may exceed 1.0 billion gallons.

The benefits of increased biodiesel production are clear:

- **Jobs and Economic Impact:** The biodiesel industry is supporting more than 62,000 jobs over the past two years, along with some \$2.6 billion in wages and almost \$17 billion in total economic activity.
- **Reducing Harmful and Costly Emissions:** Biodiesel use has cut carbon pollution by 75.5 million metric tons since 2004 – the same impact as removing more than 15.9 million passenger vehicles from America's roadways. Additionally, the 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 diesel emissions.
- **Improving U.S. Energy Security:** The biodiesel industry is increasing domestic energy production, diversifying our fuel supplies and expanding domestic refining capacity so that we're not so vulnerable to global oil markets and associated refining bottlenecks. This improves U.S. energy security because despite increased U.S. oil production, petroleum is a global commodity, and U.S. consumers will continue to be at the mercy of heavily manipulated global petroleum prices until we have diversity in the market. Recent decisions from OPEC to steer those markets shows the continued danger to our economy and national security from our dependence on petroleum.
- **Addressing the Diesel Market:** It was always the intent of Congress that the RFS address not just the gasoline market but also the diesel pool, which fuels pivotal transportation and industrial applications such as long-haul trucks, buses, barges, and heavy machinery and which accounts for a significant share of the nation's air pollution in the transportation sector. You simply can't have effective renewable fuels policy without addressing the diesel market with diesel alternatives. Additionally, growing the Biomass-based Diesel pool does not contribute to the ethanol "blendwall."
- **Feedstock Diversity and New Technologies:** Biodiesel is one of the most diverse fuels in the world, produced using a broad mix of resources including recycled cooking oil, plant oils and animal fats. This has helped shape a nimble industry that is constantly searching for new

technologies and feedstocks. Industry demand for new alternatives is stimulating, and often financing, research on new feedstocks and technologies such as algae and camelina.

We strongly encourage this Administration, consistent with its direction under the statute, to continue annually increasing Biomass-based Diesel production. The proposed volume increases for Biomass-based Diesel are minimal in the context of the overall fuels marketplace. The industry has already shown it can meet these volumes, and EPA should promote the intent of Congress to ensure increasing production of renewable fuels.

The comments were developed after weeks of consultation with our RFS task force, which includes representation from NBB members across the industry. The comments include data from a series of studies that NBB commissioned in recent weeks on economic impacts, fuels pricing, the social cost of carbon, and other issues.

We believe our comments make a compelling case for a stronger RFS volume and provide additional information on a number of technical and economic questions that Administration officials have asked in recent weeks.

With plants in nearly every state in the country, biodiesel is the first Advanced Biofuel to reach commercial-scale production nationwide. The industry's growth is stimulating and often financing the development of new technologies and feedstocks. Additionally, the industry is paving the way for other fuels by proving that Advanced Biofuels can work today in a practical, economical way to play a meaningful role in the nation's energy mix.

Also, notwithstanding the concerns raised by obligated parties, the use of biodiesel is abundantly available and *cheaper*. Biodiesel is traded as a commodity, like a barrel of oil or a gallon of #2 diesel fuel or heating oil. With the help of the RFS, fuel distributors are purchasing biodiesel at a lower price than petroleum diesel. Consider these independent third-party statements:

- Navy Secretary Ray Mabus, Testimony before U.S. House Armed Forces Committee, April 16, 2013: "This past year the Navy purchased a B20 blend (80 percent conventional/20 percent biodiesel) for the steam plant at the St. Julien's Creek Annex, near Norfolk, VA. The cost of the B20 is 13 cents per gallon less expensive than conventional fuel, and is projected to save the facility approximately \$30,000 over the 2012-2013 heating season."
- Gadsden, Ala., Mayor Sherman Guyton on the city saving about \$100,000 annually in fuel costs and taxes by switching much of the city's fleet to 20 percent biodiesel blends: "We are being kinder to our environment, we are saving money and we are reducing our dependence on foreign oil. ... There's no downside to that. It's a win-win-win-win."

- Michael Whitney, Love's Travel Stops/Musket Corp.: "Over the course of the past year delivered biodiesel prices have been lower than diesel prices. Accordingly, wholesale marketers of diesel have been able to offer biodiesel blends at the rack at a discount to clear diesel (diesel without biodiesel). These discounts have varied over the course of the year from as little as \$0.0025 (1/4 of a cent) to as much as 4-8 cents per gallon."

NBB believes EPA has authority to set the volumes of Biomass-based Diesel and Advanced Biofuels as discussed herein. In short, EPA must provide for annual increases in the Biomass-based Diesel program to effectuate the statute's requirements and goals.

We provide more detailed on the above comments in the attached document and supporting materials.

Please do not hesitate to contact me if you have any questions or comments about biodiesel or any other issues that I might be able assist you with as you work to finalize this rule.

Sincerely,



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