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VIA ELECTRONIC FILING

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Air and Radiation Docket and Information Center
Environmental Protection Agency
Mailcode: 2821T, 1200 Pennsylvania Ave., NW
Washington, DC 20460

Email: a-and-r-docket@epa.gov; Mccarthy.gina@epa.gov

Re: Docket ID No.: EPA-HQ-OAR-2016-0004
Regulation of Fuels and Fuel Additives: Standards for 2017 and Biomass-Based Diesel Volume for 2018.

Dear Administrator McCarthy:

We are writing to urge you to revisit and increase the proposed 2018 Biomass-based Diesel volume under the Renewable Fuel Standard to at least 2.5 billion gallons and the 2017 Advanced Biofuel volume to at least 4.75 billion gallons.

First, we thank you and your staff for your continued commitment to administering the RFS and the hard work you have put into getting the program back on track. The timeliness of this proposal has helped create an improved level of stability for all stakeholders, and we appreciate your efforts. Additionally, we thank you and your staff for working constructively with and being accessible to biodiesel industry representatives during this process.

We believe the evidence clearly shows that growing biodiesel volumes will help achieve this Administration's goals for strengthening the economy, reducing carbon emissions and other costly pollution, and diversifying and strengthening fuel 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.

A stronger Biomass-based Diesel volume will also ensure that the Administration achieves its goals – and the broader goals of the RFS – for delivering increasing volumes of Advanced Biofuels that reduce carbon emissions by at least 50 percent. Our industry is without question the most successful Advanced Biofuel under the RFS, and it has delivered the vast majority of Advanced Biofuel under the program to date.

Last year, with support from the RFS, Americans used nearly 2.1 billion gallons of biodiesel and renewable diesel across all RFS categories. Over the last decade, mostly under this Administration's guidance, we have replaced petroleum diesel with 10 billion gallons of Biomass-based Diesel and cut 93.4 million metric tons of carbon pollution – an equivalent of removing 19.7 million cars from our roadways.

We can build on this success over the next decade. Unfortunately, this proposal, which calls for a Biomass-based Diesel volume of 2.1 billion gallons in 2018 and 4 billion gallons of overall Advanced Biofuels next year, fails to do so by severely underestimating the capacity for growth in the biodiesel and renewable diesel sector.

We estimate that there is currently about 3.2 billion gallons of installed biodiesel and renewable diesel production capacity in the U.S. We know already that more than 2.1 billion gallons will be used *this year*, and recent EMTS data indicate we will likely see more than 2.6 billion gallons this year.

We believe a 2018 Biomass-based Diesel volume of at least 2.5 billion gallons for 2018 represents reasonable, practical and sustainable growth that better reflects the actual goals of the RFS and the existing capacity of the industry. Additionally, we believe a higher Advanced Biofuel volume of at least 4.75 billion gallons for 2017 is necessary.

Raising the volumes for biodiesel and renewable diesel is critical because it is the only mechanism we have under the RFS for addressing the growing diesel market. In creating the RFS, Congress clearly did not intend to ignore the diesel sector, which represents roughly one-third of U.S. fuel consumption. Developing clean alternatives to petroleum diesel is an essential component in accomplishing the goals shared by the EPA, Congress, this Administration and the American public to shift away from our dependence on fossil fuels.

Ending this dependence is among the great challenges of our time, and it requires bold, aggressive action. The RFS is the most effective policy this Administration has for accomplishing that objective.

According to analysis from the EPA and the California Air Resources Board, biodiesel reduces greenhouse gas emissions by at least 50 percent compared with petroleum diesel, and up to as much as 86 percent according to the EPA. We should capitalize on this tremendous carbon reduction by utilizing as much biodiesel and renewable diesel as we can through the RFS. Yet our comments demonstrate that this proposal leaves little room for meaningful growth.

The Advanced Biofuels volume for 2017 has been proposed at 4.0 billion ethanol equivalent gallons, which includes cellulosic biofuels and all other Advanced Biofuels. The EPA's calculation is that approximately 3.5 billion gallons of the 2017 Advanced volume will likely be made up of

biodiesel and renewable diesel (3.5 billion gallons of Advanced Biofuels converts to only 2.3 billion gallons of biodiesel and renewable diesel). By nearly everyone's calculation, including EPA's, the U.S. marketplace this year will total at least 2.5 billion gallons of biodiesel and renewable diesel. (The most recent EMTS data – including 200 million gallons delivered in May – suggest more than 2.6 billion gallons.) These are important data points clearly demonstrating that a 2017 Advanced Biofuel program needing only 2.3 billion gallons of biodiesel and renewable diesel will not create new markets and opportunities for Advanced Biofuels.

Likewise, the EPA's 2018 proposal for Biomass-based Diesel calls for an increase of just 100 million gallons, from 2.0 billion gallons to 2.1 billion gallons. This amounts to less than 9 million gallons per month. We believe it is eminently reasonable to set the 2018 volume higher than what the actual consumption will likely be in 2016.

Additionally, we believe the above volume targets are necessary to help accommodate growing imports of biodiesel into the U.S. which have led to decreases in domestic production.

Since 2013, more than 1.67 billion RIN gallons of foreign biodiesel and renewable diesel have been generated and targeted for import into the United States. In 2016, we anticipate total imports of more than 800 million gallons, and 2017 imports may exceed 1 billion gallons.

We anticipate that already mature biodiesel and renewable diesel markets from Singapore, Indonesia, the European Union and South Korea will continue to ship product to the U.S. at increasing levels over the next three years. Also, this year, we are beginning to realize the effect of EPA's decision to streamline feedstock certification for Argentinian biodiesel. The new process is widely expected among market participants to result in significant new volumes of Argentinian biodiesel coming to the U.S. We anticipate between 330 and 400 million gallons of Argentinian biodiesel to be imported into the United States in 2016 – a significant increase.

Accommodating these imports while also paving the way for growing U.S. production requires stronger Biomass-based Diesel and Advanced Biofuels volumes. Clearly one of the primary goals of the RFS, which was passed by Congress under the Energy Independence and Security Act of 2007, was to stimulate growing volumes of domestic production.

The urgent imperative for stimulating Advanced Biofuels is clear when you consider that the transportation sector accounts for more than a quarter of total U.S. greenhouse gas emissions. Specifically, strong biodiesel growth under the RFS can make a significant impact in helping reach the goals that President Obama has outlined in the U.N. Framework Convention on Climate Change (UNFCCC). This Administration has committed to reduce greenhouse gas emissions by 26-28 percent by 2025. The transportation sector's share of U.S. greenhouse gas emissions (26 percent) is second only to that of the electricity sector (30 percent).

We cannot reasonably expect to meet our goal without addressing the transportation sector, and this rulemaking is a key test of the Administration's commitment. 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 conservatively increasing Biomass-based Diesel use through 2025 as we discuss in our comments.

We also urge you to update some of the analysis and multipliers in the proposal. For example, EPA converts all biomass-based diesel volumes to ethanol-equivalent volumes and continues to use only the biodiesel equivalence value of 1.5. However, heating oil and renewable diesel have higher equivalence values. By updating this multiplier EPA would be more accurate in matching up RINs with gallons and would create greater incentives to use those fuels. EPA's estimate of 2.3 billion gallons of biomass-based diesel would increase by about 115 million ethanol-equivalent gallons if EPA accounted for increasing volumes of renewable diesel.

Our comments were developed by a working group made up of industry leaders from across the industry. The comments include data from a series of recent studies on economic impacts, fuels pricing, the social cost of carbon, and other issues.

We believe the information, including attached documents, makes a compelling case for a stronger RFS volume, and that the EPA has clear authority and obligation to establish higher Biomass-based Diesel and Advanced Biofuels volumes as discussed herein.

We appreciate your willingness to consider our concerns. Please do not hesitate to contact me with any questions or comments.

Sincerely,

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Vice President of Federal Affairs
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