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Biodiesel, Drought and the Renewable Fuel Standard

Overview: Biodiesel is the only feedstock-diverse, EPA-designated Advanced Biofuel produced on a commercial scale across the country. Thanks in part to the RFS, the industry had a record year in 2012, producing nearly 1.1 billion gallons of clean, American-made fuel that is reducing our dependence on imported petroleum, strengthening our energy security, creating jobs, and reducing tailpipe pollution and greenhouse gas emissions. The following are important points to remember when discussing biodiesel, drought and the RFS:

Feedstock diversity allows flexibility, relieves market pressures

Biodiesel is made from an increasingly diverse mix of feedstocks, including recycled cooking oil, agricultural oils such as soybean and canola oil, and animal fats. Most biodiesel producers can jump from one feedstock to another if prices rise or supplies are short. Therefore, the industry has strong flexibility in navigating supply disruptions, and its impact on any one commodity market is significantly reduced.

Biodiesel Production Reduces Livestock Costs

A number of livestock production groups are on record supporting biodiesel production because it reduces livestock costs. First, biodiesel production has created a strong new market for animal fats that increases the per-head value of livestock and reduces price pressures on meat and dairy products. In addition, the protein meal from soy – a staple in animal diets – is less expensive today because of the demand for biodiesel. Increased demand for the oil used in biodiesel production leads to larger supplies of protein-rich meal, which suppresses prices. Biodiesel uses only oil from soybean crops and none of the meal.

Continued dependence on imported oil is long-term culprit; commodities play a small role

Along with natural causes such as drought, the real driver of rising food costs continues to be increased oil and fuel prices. Until we have diversity in our fuel supplies, we will always be vulnerable to inflated global oil prices and the endless cycle of price spikes that we are experiencing.

Waiving the RFS and Future Investment

Even a partial waiver of the RFS could have a chilling effect on investment in the biodiesel industry and other advanced biofuels industries. This could set us back years as the U.S. competes in the global marketplace to become the world leader in the renewable energy sector. It would also further solidify our singular reliance on petroleum and our continued vulnerability to global petroleum markets that consistently disrupt our economic prosperity and threaten our national security.

RFS Flexibility

The RFS was designed with flexibility to handle disruptions such as drought. For example, refiners can defer up to 20 percent (200 million gallons) of their annual requirement to the following year to ease tight markets. In addition, the biodiesel industry exceeded the RFS requirement of 2011 by nearly 300 million gallons, and refiners can choose to use that production for 2012 compliance.