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BIODIESEL BACKGROUNDER
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ASA Position

Tax Incentive

- ASA supports extension of the biodiesel tax incentive for 2017 and beyond and restructuring from a blender's credit to a production tax credit. The biodiesel tax credit could be extended as part of a comprehensive tax reform package, a tax extender's package, or other legislative vehicles in 2017. **ASA urges cosponsorship of S. 944 or HR 2383, bipartisan bills to extend and restructure the biodiesel tax credit that have been introduced in the Senate by Sen. Grassley and Sen. Cantwell (D-WA) and in the House by Rep. Noem (R-SD) and Pascrell (D-NJ)**

Renewable Fuel Standard

- ASA supports achievable annual increases in biomass-based diesel and total Advanced Biofuel volumes. EPA has set volume requirements for biomass-based diesel at 2.1 billion gallons for 2018 and total Advanced Biofuels at 4.28 for 2017. Total biomass-based diesel utilization in 2016 was 2.9 billion gallons, already exceeding the future EPA requirements. The proposal for 2018-19 is expected to be released in June. ASA supports biomass-based diesel volumes of 2.75billion for 2019 and total Advanced Biofuels volumes of 5.25 billion gallons for 2018.

- ASA opposes legislative efforts to repeal or limit the biomass-based diesel portion of the RFS

- ASA seeks appropriate implementation and enforcement of RFS and WTO requirements for imported biodiesel

Background

Tax Incentive

The biodiesel tax credit expired on December 31, 2016. Extension of the tax incentive is important to the industry's continued growth. ASA supports extension of the biodiesel tax incentive for 2017 and beyond and restructuring from a blender's credit to a production tax credit. The Congressional Budget Office (CBO) scores the shift to a producer's credit as saving $90 million per year relative to the blender's credit.

This shift would maximize the added value of domestic production. Last year alone, we saw over one billion gallons of biomass-based diesel imports into the U.S. that qualified for the tax credit. These imports often receive additional incentives in their country, providing an unfair competitive advantage.

Biodiesel production benefits soybean farmers and the livestock industry. Approximately half of U.S. biodiesel is produced from soybean oil that is a by-product of soybean production, which is driven by demand for protein meal (soybeans are 80% meal and 20% oil). In addition, rendered animal fat is a significant feedstock for biodiesel and renewable diesel, further benefiting livestock industry partners. The biodiesel tax incentive has encouraged significant investment to expand the domestic biodiesel industry and help it become price competitive with petroleum diesel. At this stage, biodiesel requires the tax incentive to be cost competitive with the more mature and entrenched petroleum industry and subsidized foreign biofuels to fulfill the overall Advanced Biofuel volume requirements of the RFS. Biomass-based diesel is the only domestically produced advanced biofuel that is currently commercially available in the U.S. and it provides significant economic, energy security, environmental and health benefits.

Renewable Fuel Standard (RFS)

In 2016 EPA set the Renewable Fuel Standard (RFS) annual Renewable Volume Obligations (RVO), including the volume requirements for biomass-based diesel for 2018 and the total Advanced Biofuels volumes for 2017 and 2018. By law, EPA is supposed to finalize biomass-based diesel volumes 14 months in advance of the applicable year.

The 2016 RVO Final Rule calls for 2.1 billion gallons of biomass-based diesel in 2018 and 4.28 billion gallons of overall Advanced Biofuels in 2017. Utilization already exceeds the amounts being imposed by EPA. The biomass-based diesel utilization in the U.S. was approximately 2.1 billion gallons in 2015 and 2.9 billion gallons in 2016. The U.S. market is already above the levels EPA is proposing for 2018 and the volumes of imports have been increasing the past several years and expected to grow.

Biodiesel provides multiple energy, economic, and environmental benefits.

- It provides increasing volumes of a domestically produced, renewable energy source.
- It provides significant reductions in greenhouse gas emissions resulting in improved air quality.
- It has expanded markets for farmers and livestock producers and created new jobs and economic growth, particularly in rural America.

Biodiesel achieves this without adverse impacts on food and feed production. Biodiesel actually has a positive impact on soybean meal supplies. Processing biodiesel from soybeans uses only the oil, which comprises 20% of the soybean, and leaves the other 80% available as protein-rich soy meal for use as animal feed, thus creating a surplus and bringing down the cost of feed.

Global demand for soy meal protein has resulted in increased soybean production and at the same time soy oil has been displaced from food markets due to the shift away from trans fat. Biodiesel is an important market outlet for soy oil. Without it, surplus soy oil would be a drag on soybean prices. Increasing the RFS volume requirements for biomass-based diesel helps farmers and rural communities by providing a market for surplus soy oil while also creating jobs, diversifying our fuel supply, and reducing our greenhouse gas emissions.