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October 26, 2016

The Honorable Orrin Hatch
Chairman
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
Committee on Ways & Means
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairmen Hatch & Brady and Ranking Members Wyden and Levin:

I am writing on behalf of U.S. biodiesel producers nationwide to reiterate our call for a timely extension of the biodiesel tax incentive before it expires on December 31st and to highlight rapidly growing biodiesel import volumes to the U.S. that underscore the need to reform the incentive so that it promotes domestic production.

We strongly urge you to extend the biodiesel tax credit and take this opportunity to make a simple, common-sense reform by focusing the credit on U.S. production. Bipartisan legislation pending before Congress – S. 3188 (sponsored by Sen. Grassley and Sen. Cantwell) and H.R. 5240 (sponsored by Rep. Noem and Rep. Pascrell) – would accomplish these objectives by extending the incentive through 2019 and changing it from a blender's credit to a domestic producer's credit. The legislation has strong support from American biodiesel producers and strong bipartisan support in both the House and Senate – reflected last year when a similar proposal passed the Senate Finance Committee.

The growth of the U.S. biodiesel industry in recent years is paying tremendous dividends in reducing emissions, strengthening our energy security, generating competition in the diesel sector and creating jobs and economic activity in every state in the nation. The biodiesel industry supports nearly 48,000 jobs and \$1.9 billion in wages across the country.

Allowing the biodiesel incentive to lapse yet again in 2017 would in effect impose a tax on biodiesel production. Many biodiesel producers who are now poised to expand and hire would likely cut jobs and production. Congress can avoid this with a long-term extension giving producers the policy stability they need to plan for the future.

Additionally, we know Congress never intended to subsidize foreign biodiesel production with this tax incentive. The incentive was clearly aimed at promoting and supporting domestic energy production and jobs. However, because the incentive was structured as a blender's credit that is claimed by the entity

that blends the biodiesel with petroleum diesel, it is available to all biodiesel blended in the U.S., regardless of where it is produced.

In recent years this has fueled a surge in biodiesel imports, which have jumped from less than 100 million gallons just a few years ago to roughly 670 million gallons last year, according to EPA data. That is nearly one-third of the entire U.S. market. Imports this year are poised to climb even higher. Argentinian biodiesel officials recently stated, for example, that imports from that country alone are likely to rise by 80 percent this year over record volumes in 2015. (Source: Reuters, Sept. 6, 2016, "Argentina biodiesel exports surge as sales to U.S. grow.")

Biodiesel imports, including those from Argentina, often already receive favorable tax treatment and incentives in the country of origin before claiming the U.S. incentive. This double-dipping of incentives gives importers a tremendous advantage—creating an environment in which a U.S. tax incentive is giving foreign companies a competitive edge over domestic producers.

U.S. biodiesel producers have more than 1.5 billion gallons of unused production capacity that stands ready to be utilized under the right policy framework. Mobilizing that capacity would create thousands of jobs and billions of dollars in economic activity. Additionally, reforming the incentive would save the Treasury some \$90 million as imports are reduced and domestic production rises according to the Joint Committee on Taxation.

We look forward to working with you in the coming weeks on this important issue, and please let us know if you have any questions.

Best Regards,



Donnell Rehagen
Interim CEO

cc: The Honorable Charles Grassley
The Honorable Maria Cantwell
The Honorable Kristi Noem
The Honorable Bill Pascrell