



Biofuel: Tax Credits & RFS

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Issue

NRA supports an energy policy rewarding efficiency, encourages development of alternative fuels, and ensures a level competitive playing field as the U.S. strives to diversify its energy sources and reduce carbon emissions. Current law provides tax incentives to develop and commercialize alternative energy products such as biofuel.

The rendering industry supplies fats and oils used to produce three types of biofuel: biodiesel, renewable diesel and boiler fuel. They are petroleum distillate replacements, both on and off road, and include uses such as fuel for trucks, jets and industrial furnaces.

In 2012, 322 million gallons of biofuel were produced from rendered animal fats and oils. This accounts for 24% of the feedstock used in biodiesel and renewable diesel production. NRA's member companies are actively engaged in the biofuel industry, either as refiners or as suppliers of large amounts of feedstocks.

Animal-based biodiesel and renewable diesel – refined by using non-edible animal byproducts (such as yellow grease and tallow) and recaptured restaurant oils and greases – are truly recycled and renewable alternative fuels. These fuels are highly sustainable because they use byproducts as a feedstock instead of relying on virgin materials. Supplies of biodiesel can be renewed indefinitely because rendered feedstocks and oils/grease are domestic byproducts of the thriving, growing, and globally competitive U.S. animal agriculture sector.

Biofuel Tax Credits

Congress is considering proposals to extend three biofuel tax incentives. These include a \$1-per-gallon blenders' tax credit for biodiesel and renewable diesel, and a 50-cent-per-gallon alternative fuel mixture tax credit, all of which expired December 31, 2013. The \$1 tax credits are paid to the blender for mixing biodiesels with petroleum-based fuel. The alternative fuel mixture tax credit is used by renderers and others who use their own byproducts as boiler and heating fuel.

The Senate Finance Committee approved a two-year extension of these tax credits (retroactive to Jan 1, 2014) on April 3, as part of S. 2660, the "Expiring Provisions Improvement Reform and Efficiency (EXPIRE) Act."

The House Ways & Means Committee has not yet considered extension of expired biofuel tax incentives, but is considering extensions of "families" of tax credits contained in the broader "extenders" package.

NRA Position

NRA supports federal alternative fuel programs and is biofuel and feedstock neutral as long as all biofuels, including biodiesel and renewable diesel, are treated equitably. Successful programs helping wean industry off diesel, including the alternative fuel mixture tax credit, should be renewed.

NRA supports extension of the biofuel tax credits and the alternative fuel mixture credit. Congress is urged to reinstate these three important tax incentives in tax extenders legislation this year.

The biodiesel and renewable diesel tax credits and the alternative fuel mixture credit should be included in permanent comprehensive tax reform when approved by Congress.

Renewable Fuel Standard

Biofuels are mandated to be blended with petroleum distillates at set percentages and total gallons annually under the federal Renewable Fuels Standard (RFS). The RFS was modified in 2009 to ensure "advanced biofuels," including biodiesel/renewable diesel and non-corn ethanols, are included in the RFS.

Biodiesel and renewable diesel contribute significantly to meeting the goals of the RFS program, including a reduction in greenhouse gas emissions, technological innovation, enhanced energy security and economic development.

Biodiesel reduces lifecycle greenhouse gas emissions by 57-86% more than petroleum diesel, according to EPA. The rendering industry provides a significant reduction in carbon dioxide equivalent (CO₂e) greenhouse gas emissions by sequestering about four times as much CO₂e as it emits, creating a significant net carbon credit.

By encouraging continued development of new technology and infrastructure, the RFS reduces cost, improves efficiency and provides jobs in the relatively young biofuels industry. This enables biodiesel and renewable diesel to continue their important contribution to diversifying the nation's fuel supply from fossil fuel dependence and reducing our dependence on global petroleum markets.

Last fall, EPA proposed to maintain the biomass-based diesel RFS at 1.28 billion gallons. NRA requested an increase in the RFS in regulatory comments to the agency. Biodiesel production reached nearly 1.8 billion gallons last year. EPA is expected to issue its decision in a final rule in June.

NRA Position

NRA recommends EPA increase the 2014 RFS for biomass-based diesel. On May 28, NRA urged President Obama to increase the RFS in a letter jointly signed with other biodiesel members of the National Biodiesel Board. On May 29, NRA reiterated the need for an RFS increase in a letter to EPA Administrator McCarthy. NRA has no position on other forms of biofuel, such as ethanol.