

Biodiesel Keeps Moving Forward

Despite uncertainties

By Tina Caparella

24 years ago, a trade association was created for a product that didn't exist. Today, the National Biodiesel Board (NBB) and the industry it represents remain committed to the cause – increasing production, usage, and support of biodiesel and renewable diesel. Such was the message at the National Biodiesel Conference and Expo held in mid-January in San Diego, California.

"We've come far, but we're still big underdogs," declared NBB Chief Executive Officer Donnell Rehagen as he kicked off the three-day event. NBB was formed in 1992 as a research organization to determine if biodiesel could be made from soybean oil, Rehagen explained to the 850 attendees. The organization spent several years funding and overseeing research at the University of Missouri to determine the viability of turning soybean oil into fuel. Early pioneers like Ag Processing Inc., Renewable Energy Group, and others invested in some of the first biodiesel plants in the late 1990s.

"The industry started to really grow after the passage of the biodiesel tax credit in 2004," Rehagen stated, sharing stories of biodiesel producers who built facilities in rural communities across the country and lent their voices and advocacy in federal and state government policy.

"In less than a decade, we went from just a few major producers to 89 NBB member production facilities across the country and a mandate for billions of gallons of production," NBB Chairman Kent Englebrecht, Archer Daniels Midland Company, told attendees. "But we were not always victorious." He shared the challenges NBB and member companies have continually battled through – recession, expiration and reinstatement of tax credits multiple times, and lenders who didn't understand the industry.

"It's important to remember that even through the worst of times, even when we were pushed down, we've managed to rebound and continue on a path of growth," Englebrecht said. Today, biodiesel and renewable diesel production supports 47,400 jobs and \$1.9 billion in wages in the United States (US). The industry's total economic impact is \$8.4 billion across many sectors, which could escalate to \$14.7 billion and 81,600 US jobs if the Renewable Fuel Standard (RFS) obligated volumes for biomass-based diesel increased to 2.5 billion gallons per year, according to NBB.

Rehagen announced that the association is expanding its staff in Washington, DC, with the addition of another lobbyist and an advocacy director for outreach to national and state

elected officials. NBB state legislative efforts currently account for one billion gallons of incentivized demand for biodiesel in the United States.

"It's certain that these are uncertain times," Rehagen commented. "But as Albert Einstein said, 'Life is like riding a bicycle. To keep your balance, you must keep moving.' And there's no question that NBB is moving forward to fuel the future."

Anne Steckel, NBB Federal Affairs, shared the industry's success stories in Washington, DC, over the past year, including a 280,000-gallon increase in the RFS advanced biofuel volumes after a record number of senators signed on to the NBB's letter supporting stronger growth. She said despite the "noise" in the US Capitol and the expiration of the tax credit, "We've been here before...and we prevailed."

"While I am proud of our continued efforts, we can't let up," Steckel continued, highlighting three important things the industry and NBB must do in order to be successful in 2017.

First, key messages must continue to be heard and understood by policymakers, such as the 47,000 jobs and \$1.9 billion in wages the biodiesel/renewable diesel industry supports; that a producer's tax credit would be a powerful economic stimulant by creating thousands of additional jobs and billions of dollars in economic activity; and that biodiesel and renewable diesel are key to diversified fuel options that increase America's energy security.

Second, support of the NBB Political Action Committee allows attendance at events with members of Congress to discuss the benefits of biodiesel and renewable diesel. Third, NBB and the industry must continue to be highly engaged politically with allies on Capitol Hill and those inside President Donald Trump's administration.

"By continuing to stay unified, we can continue to be a positive and effective force," Steckel concluded.

John Schwegman, director of commercial and medium duty product for General Motors, took the stage at the opening session to announce the automaker is expanding its support of B20 (20 percent biodiesel blended with petroleum diesel) to its entire line of diesel vehicles. With eight new diesel vehicle options hitting the market in 2017-2018, General Motors now offers a full line of 20 different diesel models, from passenger cars, pickups, and sport utility vehicles, to commercial vans and low cab forward trucks – all of which are approved for use with B20.

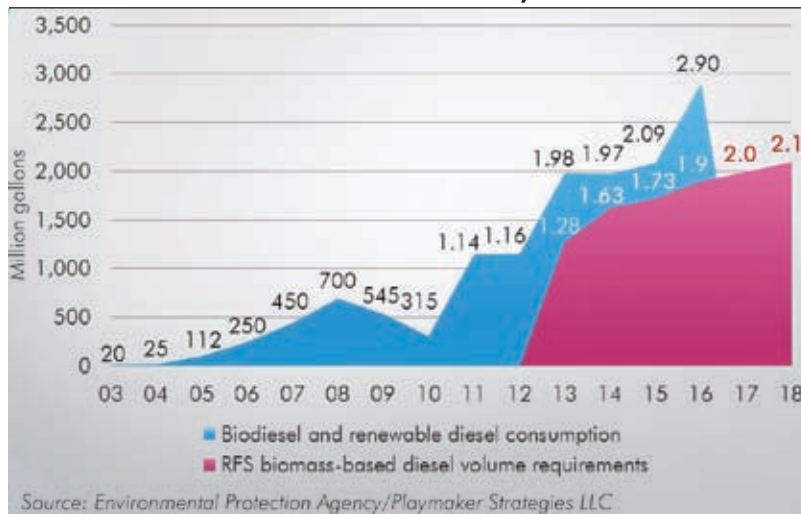
"Diesel propulsion deserves wider consideration by fleet managers across the country," Schwegman said. "With biodiesel production and retail distribution expanding, and so many proven benefits, we believe more fleets will embrace the technology as part of their sustainability plans."

Breakout sessions focused on various topics, from how biodiesel actually makes food cheaper by decreasing the price of protein due to an outlet for leftover oil and fat, to examining California's thriving but complex low carbon market. Jennifer Case, New Leaf Biofuels in San Diego where the conference was held, shared that in 2006, 2 million gallons of biodiesel was produced in California. In fiscal year 2016, 360 million gallons of biomass-based diesel (which includes renewable diesel) was consumed in the state, double the amount just two years prior. Of that amount, 142 million gallons were biodiesel, almost five percent of the state's total diesel consumption.

As the sixth largest economy in the world, California and its climate change legislation are on the radar of the biodiesel and renewable diesel industry. The state's cap and trade program, which is now considered a tax, officially expires in 2020 unless the legislature takes action. California has appropriated \$3.4 billion in cap and trade auction proceeds to reduce emissions by funding transit and high speed rail, affordable housing near jobs and schools, forest and watershed improvements, healthy soils, recycling opportunities, and home energy upgrades. Of the \$2.1 billion earmarked for 2017-2018, \$363 million is slated for reduction of petroleum use by 50 percent.

Ryan Lamberg, California Biodiesel Initiative, explained the various standards, regulations, and plans put in place to reduce the state's greenhouse gas emissions – most of which comes from transportation – 40 percent by 2030. He showed that of the low carbon fuel standard (LCFS) credits generated in California in fiscal year 2015-2016, 41 percent was from ethanol, 20 percent came from biodiesel, and 22 percent was from renewable diesel. The LCFS projected volumes for

Chart 1. US biomass-based diesel market, 2003-2018



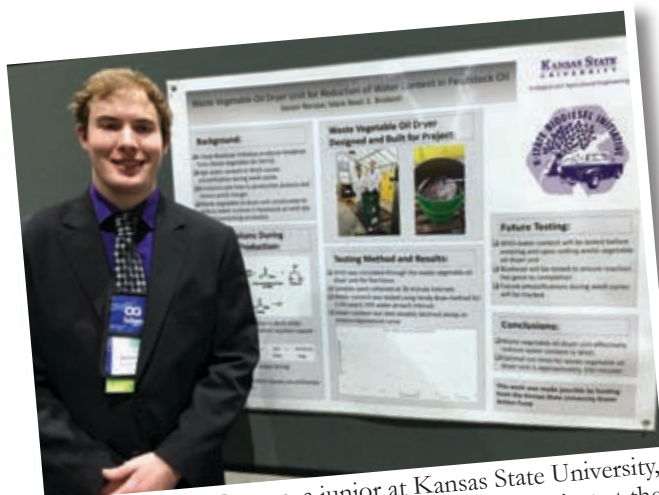
biomass-based diesel use shows substantial growth, from nearly 600 million gallons in 2022 to 1.2 billion gallons by 2024 and 1.6 billion gallons by 2030.

One of the more popular sessions was a look ahead at the Environmental Protection Agency (EPA) and its RFS program. Paul Argyropoulos of EPA, appearing via videoconference due to the presidential inauguration activities in Washington, DC, confirmed that the RFS volume obligation rules are complex, but assured the industry the agency is on track and already working on the 2018 and beyond volume requirements. He said EPA anticipates having a very busy year with the new Trump administration.

"We have a lot before us, but we look forward to continually working with you," Argyropoulos told the audience.

Larry Shafer, Playmaker Strategies, reported that since July 2010 when the current RFS went into effect, US biomass-based diesel consumption has increased by 900 percent to 2.9 billion gallons in 2016 (see chart 1 above).

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Devon Ronsse, a junior at Kansas State University, presents his waste vegetable oil dryer unit project at the Next Generation Scientists for Biodiesel poster session. The unit reduces water content in used cooking oil collected from the school's dining halls.



Anne Steckel, NBB Federal Affairs, discusses the increasing need to work with lawmakers.

"That's an incredible job," he said. NBB's goal is to increase the RFS advanced biofuels volume, under which biodiesel and renewable diesel qualify, beyond the 4.28 billion gallons EPA set for 2017, 670 million gallons higher than in 2016.

Susan Olson, Genscape, informed conference attendees that biodiesel imports doubled to 695.3 million gallons in 2016 from 352.8 million gallons in 2015. Renewable diesel imports were 209.0 million gallons last year compared to 204.7 million gallons in 2015, most of it going to the California market.

"Imports from Argentina exploded in 2016," she commented, from 196 million gallons in 2015 to 426 million gallons last year, 47 percent of total biomass-based diesel imports. Olson said it is possible to see even more imports from Argentina in 2017 due to capacity and there being no other market for their biofuel.

The most popular session of the conference was the spotlight on Washington, DC, and what to expect with the new administration and Congress as there is a lot of uncertainty. Former Senator Byron Dorgan, a long-time supporter of biodiesel, began the panel discussion by saying Trump likes success so the hope is he will recognize what the biodiesel industry has done for jobs in rural communities and be supportive. Lobbyist Jim Massie chimed in that during his campaign, Trump saw the growing rural economy, toured farm states, and has since realized that these are the people who got him to the White House so Massie too feels Trump will be supportive of the alternative fuels industry.



Former Senator Byron Dorgan talks to attendees.

Timothy Urban, Washington Council Ernst & Young, talked about the administration's and Congress' goal of tax reform, the "P's" of Washington – policy, politics, processes, and personality – and the 36 temporary tax provisions that expired December 31, 2016, which include the biodiesel tax credit.

Dorgan encouraged audience members to continue taking the industry's good messages – including how biomass-based diesel can help revitalize the economy – to policymakers in Washington, DC.

"Washington is a steep hill to climb," Dorgan commented. "You have a need for good policy to continue the growth of this industry."

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