Biofuel: Tax Credits & the Renewable Fuel Standard

NRA Position

The future of biodiesel production is important to the U.S. rendering industry. Rendered fats and oils supply 30 percent of the feedstock for biodiesel production.

Renderers generate $10 billion in economic activity across the country. The biodiesel industry provides $1.9 billion in wages for nearly 48,000 jobs across the country, particularly in rural America.

NRA urges Congress to take the following action:

- **Biofuel Tax Credits**
  - **Oppose “The Stop Animal Fat Tax Credits Act of 2017,” H.R. 1866**, introduced by Rep. Randy Weber (R-TX), to eliminate tax credits for biofuels produced with animal fats. This bill would:
    - Create a competitive disadvantage for rendered fat and oil used to produce biofuel while continuing tax incentives for other feedstocks. Renderers support a level playing field among feedstock suppliers.
    - Harm the young biodiesel industry and the jobs it creates.
    - Inflict downward pressure on farm income since livestock and poultry producers grow the animals that are rendered.
  - **Support extending three federal tax incentives** that expired December 31, 2016, and make them permanent in law.
    - $1 per-gallon tax credit for biodiesel
    - $1 per-gallon tax credit for renewable diesel
    - 50-cent-per-gallon alternative fuel mixture tax credit (AFMTC)
  - **Support legislation to extend and modify the tax incentives for biodiesel and renewable diesel through 2020.** Please cosponsor:
    - S. 944 – Introduced by Sens. Grassley (R-IA) and Cantwell (D-WA)
    - H.R. 2383 – Introduced by Reps. Noem (R-SD) and Pascrell (D-NJ)

- **Renewable Fuel Standard (RFS)**
  - **NRA encourages expansion of the Renewable Fuel Standard (RFS) for biodiesel and renewable diesel based on total production capacity.** In June, EPA is expected to propose the 2018 RFS for advanced biofuels, which includes both fuels, and the 2019 RFS for biomass-based diesel. NRA supports a strong RFS level to help continue to grow this relatively young industry.
The Issues

Biofuel Tax Credits

Federal law has provided tax credits and the RFS as incentives to develop and commercialize alternative energy products, including biofuels.

Tax incentives support renewable energy and fuel derived from agricultural feedstocks, including animal fats. These renewable energy sources help diversify our fuel supply, establish new markets and add value to farm products, create jobs, and boost economic development, particularly in rural America.

Biodiesel tax incentives are tax credits for biodiesel, renewable diesel and alternative fuel mixtures. They were traditionally extended on an ad hoc basis for years until the end of 2016 when Congress allowed them to expire. The $1-per-gallon biodiesel tax credit was paid to the blender for mixing biodiesel with petroleum-based fuel at a 10% rate. Renewable diesel received a $1 per gallon tax credit without blending. The AFMTC was used by renderers and others who burn fats and oils they produce as boiler and heating fuel. NRA urges Congress to make these credits retroactive to 2016 and in effect through 2020. Certainty and predictability are needed to encourage continued growth in the young biofuels industry, not annual “stop and start” tax treatment.

Renewable Fuel Standard (RFS)

Biofuels are mandated to be blended with petroleum distillates at set percentages and total gallons annually under the federal RFS. The RFS was modified in 2009 to include “advanced biofuels,” such as biodiesel/renewable diesel.

In June, EPA is expected to propose the 2018 RFS for advanced biofuels and the 2019 RFS for biomass-based diesel. NRA supports increases in RFS levels since the biodiesel industry now has the annual capacity to produce over 3 billion gallons.

The RFS will encourage increased U.S. production of biodiesel and create thousands of new jobs while strengthening U.S. energy security and improving refining capacity to prevent bottlenecks that cause price spikes.

Rendered Products and Biofuels

Rendered fats and oils account for 30 percent of the feedstock used in biodiesel production. NRA’s member companies are actively engaged in the biofuel industry, either as producers or suppliers of large amounts of feedstocks. These fats and oils replace petroleum distillates, both on and off road, and include fuel for cars, trucks, jets and industrial furnaces.

Animal-based biodiesel and renewable diesel – both refined by using non-edible animal byproducts (such as choice white grease and tallow) and recaptured restaurant cooking oil – 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 animal fats and used cooking oil are domestic byproducts of the growing and globally competitive U.S. animal agriculture sector.

NRA supports a federal energy policy that rewards 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. Federal alternative fuel programs should be biofuel and feedstock neutral, and ensure all biofuels, including biodiesel and renewable diesel, are treated equitably.

NRA focuses on biofuel feedstocks from animal byproducts and used cooking oil collection, and has no position on other biofuels, such as ethanol.

Biodiesel and renewable diesel contribute significantly to meeting the goals of the RFS program, including a reduction in greenhouse gas emissions (GHG), technological innovation, enhanced energy security and economic development. Biodiesel reduces lifecycle GHG emissions by 57-86 percent more than petroleum diesel, according to EPA. The rendering industry provides a significant reduction in carbon dioxide equivalent (CO\textsubscript{2}e) GHG emissions by sequestering five times more CO\textsubscript{2}e as it emits.

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 and reducing our dependence on global fossil fuel markets.