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The National Biodiesel Board (NBB) is the leading U.S. trade association for the biodiesel and renewable diesel industries, including producers, feedstock suppliers, and fuel distributors. In existence since 1992, NBB represents more than 100 U.S. companies and state associations.

Biodiesel and renewable diesel are renewable, clean-burning diesel fuels made from a diverse mix of resources, including agricultural oils such as soybean, camelina, and canola oil, as well as recycled cooking oil and animal fats. Renewable diesel is chemically indistinguishable from petroleum diesel but made from renewable resources.

Biodiesel and renewable diesel are the nation’s first domestically produced, commercially available advanced biofuels – meaning they reduce greenhouse gas emissions by at least 50 percent when compared to petroleum diesel, as established under the Renewable Fuel Standard (RFS) and determined by the U.S. Environmental Protection Agency. A 2017 analysis by researchers from Argonne National Labs estimates that biodiesel and renewable diesel reduce greenhouse gas emissions between 66 and 86 percent. The fuels meet strict fuel specifications set forth by ASTM International – the official U.S. fuel-certification organization. Biodiesel is primarily used in blends of 5 percent to 20 percent and does not require special fuel pumps or engine modifications. In fact, the majority of automobile manufacturers support biodiesel blends up to 20 percent in existing engines.

The biodiesel and renewable diesel tax incentive has been a key to the industry’s growth from a few hundred million gallons in 2005 to more than 2.6 billion gallons of annual use today. With biodiesel plants nationwide – from California to Texas to Pennsylvania – the biodiesel industry supports more than 60,000 jobs, $2.5 billion in wages paid, and $11 billion in economic impact. In many rural areas of the country, biodiesel plants are a driving force of the local economy, supporting the employment of technicians, plant operators, engineers, construction workers, truck drivers, and farmers. There is still room for growth, and stable, forward-looking tax policy can help the biodiesel industry continue to stimulate economic growth.

Federal and state policies that aim to reduce greenhouse gas emissions – such as the RFS and California’s Low Carbon Fuel Standard – create increasing demand for low-carbon fuels like biodiesel and renewable diesel. A long-term extension of the tax incentive would be the best policy to help the industry meet those policy goals. With a predictable, long-term tax incentive in place, the biodiesel industry could make necessary investments, grow with confidence, and create significant new employment opportunities. The tax incentive enables small, emerging companies to access capital at a lower cost, which is necessary to secure renewable feedstocks and build distribution networks.
The biodiesel and renewable diesel industry cannot reach its full potential with on-again, off-again tax policy. For example, Congress last renewed the tax incentive retroactively for 2017, two months after the start of 2018. The tax incentive plays a critical role in drawing blenders to purchase the fuel. Because Congress regularly renews the credit, market pressures force the blenders and producers to build the tax incentive’s value into their fuel contracts, even when Congress has allowed the incentives to lapse. Biodiesel and renewable diesel producers and blenders have been operating for as many as 14 months with the expectation that they will eventually be able to claim credits for 2018 and amend their financial statements.

Individual NBB members are already being forced to put projects on hold and reduce investments, due to uncertainty about renewal of the tax incentive. That uncertainty will affect future growth. Once producers curtail purchases of raw materials, lay off workers, or slow production, they will be delayed in restarting production as they reestablish supply chains, rehire and train workers, and retool idled facilities. Moreover, many producers will face higher costs for credit lines and capital, which will further delay expansion and upgrade projects. We know that some U.S. biodiesel producers are already facing hard choices about continuing in the industry.

While a long-term extension would provide the necessary policy certainty, our industry urgently needs an immediate extension of the biodiesel tax incentive for 2018 and 2019, at least, to end the current climate of uncertainty surrounding the industry. On February 11, a large, bipartisan group of Representatives wrote to House leaders to convey their strong support for “a multi-year extension of the incentive to provide the policy certainty necessary to help the biodiesel industry and rural economies continue to grow.” Rep. Dave Loebsack (D-IA) and Rep. Darin LaHood (R-IL) led the bipartisan letter, which was signed by a total of 44 Representatives from across the country, from California to Connecticut.

In conclusion, I would like to emphasize that the biodiesel blender’s tax incentive has helped achieve the desired goal of expanding domestic production of American energy resources and jobs here at home. In turn, the increased use of biodiesel has helped the United States realize economic and environmental benefits. These benefits, however, are in jeopardy without quick reinstatement of the biodiesel tax incentive.

Several NBB members are already feeling the impacts of uncertainty about the tax incentive – higher costs for financing, planned upgrades and expansions put on hold, and reduced deliveries of finished fuel.

Thank you for the opportunity to submit this testimony. NBB would be pleased to serve as a technical resource as the committee moves forward with its deliberations.