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## **RFS Issue Brief: Consequences of Raising Advanced Biofuels Standards Without Also Raising Biomass-Based Diesel Standards**

The purpose of this memo is to explain the damaging consequences from a decision by the Obama Administration to increase the overall Advanced Biofuel requirement under the Renewable Fuel Standard (RFS) without also increasing the Biomass-based Diesel (biodiesel) requirement.

To be clear, such a decision would serve only to encourage large volumes of imported biofuels from overseas, while crippling the U.S. biodiesel market. It would create a situation under which dozens of U.S. biodiesel plants are closing their doors in the coming months while the RFS is simultaneously drawing in hundreds of millions of gallons of imported biofuels. Aside from sending American jobs overseas, this would undermine the fundamental goals of the RFS of boosting U.S. energy security while creating new domestic energy production. It was never the intent of Congress that the RFS would serve to stimulate additional imports of foreign fuels. In fact, one of the primary goals of the RFS was to lessen our dependence on imported fuels.

Specifically, under an RFS program that leaves the 2014 biodiesel volume stagnant at 1.28 billion gallons:

- We estimate that some 50 biodiesel plants would close their doors, with nearly 8,000 jobs threatened.
- Already – simply after the EPA *proposed* to cut biodiesel to 1.28 billion gallons – a recent survey of U.S. biodiesel producers found that more than half (57 percent) of US biodiesel producers have stopped producing altogether and 78 percent have reduced production this year.
- Finalizing a proposal with no increase for biodiesel volumes would without question lead to the permanent closure of many of those U.S. businesses.

Additionally, under an RFS program that leaves the 2014 biodiesel volume stagnant at 1.28 billion gallons while establishing an overall Advanced standard of 2.75 billion gallons:

- Volumes could be filled with either biodiesel, sugarcane ethanol, cellulosic ethanol or some other advanced biofuels. However, we estimate that sugarcane ethanol would be the primary source, with approximately 500 million gallons entering the U.S. as blenders seek out less expensive gasoline-based alternatives instead of addressing the diesel market.
- We know this because blenders have historically turned to ethanol imports under the right RFS conditions. Ethanol imports have grown steadily in recent years and topped 400 million gallons in five of the last eight years.
- Sugarcane ethanol contributes to the ethanol “blendwall” just as corn ethanol does, so increasing volumes of sugarcane ethanol would exacerbate “blendwall” concerns.
- More than 1 billion gallons of ethanol is used in California each year; the combination of the Low Carbon Fuel Standard and the proposed RFS would encourage more sugarcane ethanol.

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- While biodiesel's cost of production is falling as production increases, it currently remains more expensive than sugarcane ethanol for a variety of reasons, including that it is produced using higher U.S. labor costs and replaces higher-cost diesel fuel. Additionally, Brazil has approved a variety of incentives supporting sugarcane ethanol.

In adopting the RFS, Congress envisioned a program under which both the Advanced and biodiesel volumes grow at sustainable rates to address not just the gasoline market but also the diesel market, which the EPA has consistently cited as one of the most polluting U.S. transportation sectors. In recent years, this Administration has successfully carried out that charge, growing Advanced and biodiesel volumes annually at a modest, sustainable pace without adverse consequences in the marketplace. This has helped create a growing, maturing U.S. biodiesel industry that is creating jobs and economic activity, strengthening U.S. energy security, and reducing harmful emissions, including greenhouse gas emissions 57 percent to 86 percent according to EPA calculations.

The biodiesel industry has met and exceeded all expectations under the RFS. Reversing course on this progress is inconsistent with both Congress' objectives and this Administration's energy goals.