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Biodiesel producers cut back due to US policies, report says

By Timothy Cama - 05/14/14 03:52 PM EDT

Almost eight in 10 biodiesel producers in the United States have cut back production this year due to uncertainty over federal policies that encourage making the fuels, the National Biodiesel Board (NBB) said.

The report released Wednesday was based on a survey the NBB conducted. In addition to the finding that 78 percent of producers reduced output, 57 percent of companies have idle or shut down plants and 66 percent have reduced their workforces or are considering it.

Almost all of the surveyed companies attribute the industry's decline to two recent policy developments: the expiration at the end of last year of the tax credit to produce biodiesel and a proposal last year by the Environmental Protection Agency not to increase the biodiesel mandate in the Renewable Fuel Standard.

"Inconsistency in Washington is wreaking havoc on the U.S. biodiesel industry," Anne Steckel, NBB's vice president of federal affairs, said in a statement.

At a Wednesday press conference announcing the results on Capitol Hill, six Democratic senators called for renewal of the tax credit and an increase in the biodiesel mandate.

"If you look at what this industry depends on from the United States Congress, it's certainty. It's some measure of consistency in public policy," said Sen. Heidi Heitkamp (D-N.D.). "And I have to tell you, on that score, we've failed miserably."

Sens. Dick Durbin (D-Ill.), Amy Klobuchar (D-Minn.), Al Franken (D-Minn.), Joe Donnelly (D-Ind.) and Maria Cantwell (D-Wash.) also spoke at the event.

The biodiesel tax credit provides $1 per gallon of diesel produced from biomass, such as vegetable oil or animal fat. It expired at the end of last year, but the tax break package the Senate will vote on **this week** would renew it for two more years.

The EPA proposed in November to mandate that diesel refiners blend 1.28 billion gallons of biodiesel into their products in 2014, the same level as 2013. The industry produced 1.8 billion gallons in 2013, so that amounts to a reduction in volume, the NBB said.

The senators said those policies put thousands of jobs at risk, as well as the United States' energy security and the environmental benefits of biofuels.

“We want to make sure that biofuels are included in the future when it comes to America’s energy,” Durbin said. “When there’s uncertainty about the future of biofuels, there’s uncertainty about these jobs.”

Klobuchar and Franken said Minnesota officials have estimated that the EPA’s biodiesel mandate would cause the state to lose 1,500 jobs.

“We can’t back off our commitment to renewable biofuels,” Franken said.

The EPA has not yet finalized the biodiesel blending mandate.

The oil industry praised the November proposal from the EPA, saying it recognizes the reduced demand for renewable fuels and the high costs to refiners. But they are still pushing for permanent changes to the Renewable Fuel Standard, including eliminating it altogether.