Renewable Fuel Standard (RFS) Program: Set 2

Sustainable Advanced Biofuel Refiners Coalition

Meeting with Office of Management and Budget

June 4, 2025

Agenda

Background

- SABR Coalition
- Impact of RFS Set Rule on Biodiesel

RFS Set 2

- 2026 and 2027
- Biomass-based diesel
  - Biodiesel
  - Jet fuel
  - Small refinery exemptions

Equivalence Values

Sustainable Advanced Biofuel Refiners

Sustainable Advanced Biofuel Refiners (SABR) is a coalition of biodiesel stakeholders that have invested in building out America's first advanced biofuel—biodiesel (i.e., methyl esters).

SABR includes stakeholders from every link in the value chain from feedstock growers to biodiesel producers, distributors, retailers, and consumers, as well as infrastructure and products and services suppliers.

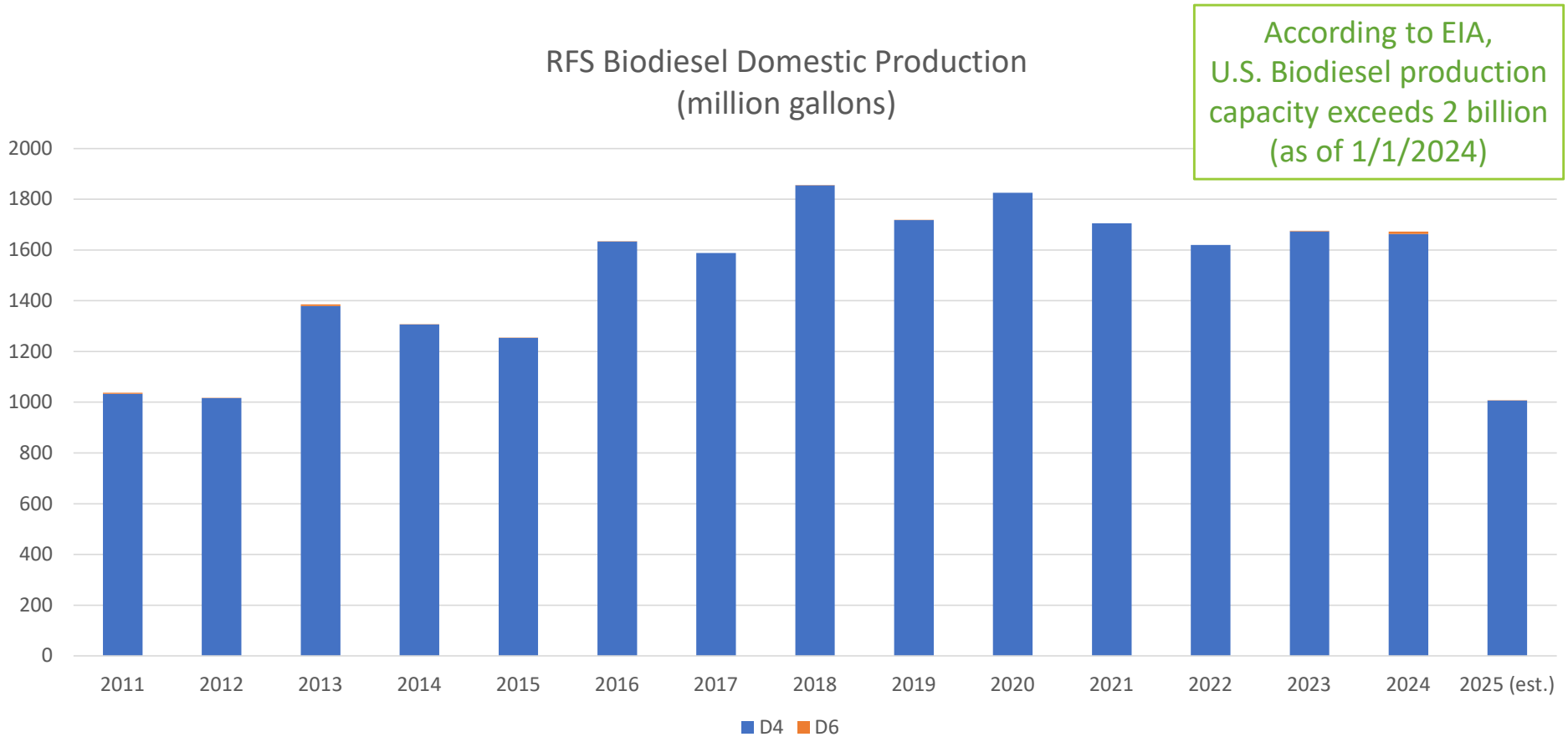
Currently, over 70 companies and organizations have expressed support for SABR's efforts. These stakeholders, mostly small businesses, have invested heavily in meeting the nation's goals of the Renewable Fuel Standard (RFS) program. However, as the RFS has evolved over the years, inadvertent policy disadvantages for biodiesel have emerged compared to renewable diesel and sustainable aviation fuel that "compete" under the "biomass-based diesel" program. Biodiesel is the lowest cost, lowest carbon fuel. Yet, because of advantaged policy treatment, renewable diesel and sustainable aviation fuel are cannibalizing biodiesel rather than actually growing the program. It is leading to less carbon reduction at a higher cost to consumers and taxpayers.

Biodiesel is Key to the Success of the RFS Program and Meeting Congress' Goals

- The RFS program was introduced at a biodiesel plant, and the statute and legislative history evidences Congressional intent to support biodiesel – a substitute diesel fuel derived from fats, oils, and greases
- Biodiesel was America's first "advanced biofuel" and exemplified the goals of the RFS program, providing a cost-effective means of reducing emissions in the transportation fuel and heating oil sectors
  - Biodiesel is non-toxic, uses less water than diesel fuels, and provides engine performance benefits, reducing air emissions
  - Billions of dollars in investments were made in response to the RFS program – production facilities, distribution infrastructure, retail, consumer acceptance
  - Biodiesel plants are located across the country, many in rural areas providing local environmental and economic benefits
  - Biodiesel has allowed reduced prices at the pump
- ***A strong biodiesel industry also furthers this Administration's energy policy, providing good-paying jobs and supporting rural economies***

RFS Set Rule – Biomass-based diesel

- Biodiesel is "biomass-based diesel"—an advanced biofuel under the RFS
  - EPA defined "biomass-based diesel" to include renewable diesel and renewable jet fuel (including ethanol-to-jet fuel) without due regard to statutory definitions
  - SABR Coalition explained to EPA that, unless it acts to "level the playing field," renewable diesel and sustainable aviation fuel are likely to put biodiesel plants out of business
  - U.S. Energy Information Administration, Ocean Park, University of Illinois, among others, all acknowledged that renewable diesel production will come at the expense of biodiesel
- For compliance years 2023-2025, EPA set volume requirements for biomass-based diesel well below production capacity
  - EPA was required to determine the implementation rules post-2022
  - Renewable diesel production has continued to displace *biodiesel* not petroleum diesel
  - Regulatory uncertainty and lack of robust volumes have undermined the incentives Congress crafted in establishing the market-forcing RFS program, reducing, rather than expanding, forms of reliable and affordable energy production like biodiesel



According to EIA,
U.S. Biodiesel production
capacity exceeds 2 billion
(as of 1/1/2024)

Set 2 - EPA Must Level the Playing Field

- SABR Coalition appreciates EPA's efforts to get the program back on track
  - This would require, at least, volume requirements for 2026 and for 2027 by November 1, 2025
- Significant increases in the biomass-based diesel and advanced biofuel volume requirements from the Set Rule, at a minimum, are needed
  - At least 5.25 billion gallons for biomass-based diesel for 2026
  - Volumes should support actual production not be met through carryover RINs or reduced by exemptions
- EPA also must ensure a growing role for biodiesel in the RFS program, as Congress intended
  - EPA has recognized that renewable diesel production has been driven by advanced biofuel category not the biomass-based diesel category
    - 2023 BBD Volume of 2.82 Billion gallons < 4.98 Billion gallons actually produced (7.97 Billion RINs)
    - 2024 BBD Volume of 3.04 Billion gallons < 5.68 Billion gallons actually produced (9.18 Billion RINs)
    - Data based on EMTS, as of May 10, 2025 (numbers are rounded)
  - EPA has authority to set implementation rules post-2022
    - Jet fuel is not a "diesel fuel" substitute and biodiesel does not compete in jet fuel market
    - Ethanol-to-jet is not derived from fats, oils or greases

Set 2 - EPA Must Account for SREs

- EPA has routinely granted small refinery exemptions retroactively
- EPA has acknowledged that not accounting for these exemptions has had a significant impact on the RFS program, creating volatility in the market
- EPA included a means for accounting for potential exemptions when setting the standards
  - EPA is currently reviewing 169 small refinery exemption requests for compliance years 2016-2025
  - To meet its obligation to "ensure" the volume requirements it sets, EPA, at a minimum, must account for any change in how it will grant exemptions when determining the applicable percentage standards
  - EPA must carefully consider the impacts to the program of any grants of exemptions for prior years
- EPA should continue to provide more transparency with respect to its handling of small refinery exemptions

EPA Must Revise the Equivalence Values for Renewable Diesel

- To determine compliance with the RFS volumes, EPA uses equivalence values to generate RINs, which convert wet gallons to ethanol-equivalent gallons (RINs) based on a fuel's energy content compared to ethanol
- Since the start of the program, biodiesel has had an equivalence value of 1.5 while most renewable diesel uses an equivalence value of 1.7
- EPA has acknowledged that it never accounted for the non-renewable portion of renewable diesel in setting the equivalence values, providing renewable diesel an advantage since the start of the program
  - For example, there were 2.98 billion gallons of renewable diesel (1.7) reported by EPA under the RFS program for 2024. A 0.1 difference in the equivalence value results in almost 298 million additional RINs. This results in a windfall for renewable diesel plants for no actual gain in fossil fuel displacement, as required by the statute.
  - EPA has not defended its continued use of a higher equivalence value for renewable diesel
- EPA did indicate support for incentives for use of renewable hydrogen
  - Must meet definition of biomass-based diesel to generate D4 RINs – no co-processing
  - EPA should also support incentives for use of renewable methanol/ethanol in biodiesel production process

An Equivalence Value of 1.5 is More Appropriate for Renewable Diesel

Fuel	*Current R*	*Btu/gal*	*Current EV*	*Bond Energy Based R*	*Bond Energy Based EV*
Biodiesel	94.20%	118,000	1.54	93.03%	1.47 (~1.5)
Renewable Diesel	100%	122,000	1.69	90.44%	1.47 (~1.5)
SAF	NA	117,200	NA	85.80%	1.34 (~1.3)

The methodology for this approach has been peer reviewed by independent experts and has been presented to EPA.

Summary: EPA Must Give Meaning to the Biomass-Based Diesel Category

- Congress sought to support biodiesel
- EPA has indicated that the advanced biofuel category is driving renewable diesel and there is no indication that Congress sought to require biodiesel to compete with renewable jet fuel
- By ensuring a role for biodiesel, EPA will fulfill the express directive of Congress and further the goals of the RFS program
  - Allowing biodiesel to disappear will have significant impacts on the rural communities and economies that these facilities support
  - Contrary to claims by obligated parties, ensuring a role for biodiesel increases competition by diversifying available fuels and suppliers and would better support lower prices at the pump than allowing significant amounts of D4 RINs to be controlled by a handful of obligated parties
- While SABR Coalition supports increasing the volume requirements for biomass-based diesel, EPA must also take action to level the playing field, which would better support the goals of Congress and this Administration's energy and economic policy

Thank you