



National Biodiesel Board 605 Clark Ave. PO Box 104898 Jefferson City, MO 65110-4898 (800) 841-5849 <i>phone</i> (573) 635-7913 <i>fax</i>	National Biodiesel Board 1331 Pennsylvania Ave., NW Suite 505 Washington, DC 20004 (202) 737-8801 <i>phone</i> www.biodiesel.org
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October 17, 2018

The Hon. Andrew Wheeler
Administrator
Environmental Protection Agency
Office of the Administrator, 1101A
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460

Dear Acting Administrator Wheeler,

The biodiesel industry is grateful for your initiative to increase transparency around the RFS program. However, I urge your consideration of the biodiesel and renewable diesel industry's need for additional market space under the Renewable Fuel Standard program. Further, I would like to make you aware of the acute, negative impact of small refinery exemptions on our industry.

EPA's newly posted data quantifies the ongoing demand destruction for biodiesel stemming from the small refinery exemptions.

In early June this year, the National Biodiesel Board estimated the damage to the biodiesel market to exceed 300 million gallons. EPA's Public Data for the Renewable Fuel Standard website now displays estimates of the gallons of gasoline and diesel and the Renewable Volume Obligations (expressed in RINs) exempted each year since 2013. With that data, it is easy to calculate the minimum gallons of biomass-based diesel exempted. We also know that biomass-based diesel is used to meet more than 90 percent of the annual Advanced Biofuel RVO, in part because each gallon of biodiesel and renewable diesel earns on average 1.54 RINs. Between 2015 and 2017, the demand destruction for biomass-based diesel is more than 300 million gallons.

Compliance Year	Exempt Fuel (million gallons)	Advanced RVO (%)	Advanced RVO (million RINs)	Biomass-based Diesel Impact (million gallons)
2015	3,070	1.62	49.7	29
2016	7,840	2.01	157.6	91
2017	13,620	2.38	324.2	189
Total				309

EPA's recently released data confirms our estimate of lost gallons. We can also see from the data that exempted refiners rolled forward millions of RINs to meet 2017 obligations, freeing up 2017 RINs for 2018 compliance and thereby destroying demand for biodiesel this year.

Independent analysis further substantiates the demand destruction for biodiesel and renewable diesel. Professor Scott Irwin, Laurence J. Norton Chair of Agricultural Marketing at the University of Illinois, estimates that biomass-based diesel RIN generation is 489 million gallons (16.3 percent) lower in 2018 than it would have been without the small refinery exemptions.¹ Professor Irwin concludes that because the RFS is binding for biomass-based diesel, the retroactive exemptions directly reduce biodiesel use.

The biodiesel industry asks EPA to set the 2020 biomass-based diesel volumes at a level (2.8 billion gallons) that supports our demonstrated ability to produce fuel. Moreover, we ask the agency to fully account for the small refinery exemptions when setting the annual standards. EPA must end the demand destruction for biodiesel – not as part of a deal to change the RFS rules; rather, as an integral part of the agency’s duty to ensure that the RFS volumes it sets are met.

Sincerely,

A handwritten signature in black ink that reads "Kurt A. Kovarik". The signature is written in a cursive, slightly stylized font.

Kurt Kovarik
Vice President, Federal Affairs
National Biodiesel Board
1331 Pennsylvania Ave., NW
Suite 505
Washington, D.C. 20004

¹ Prof. Scott H. Irwin, “The State of the RFS,” presented at OPIS RFS2, RINs & Biodiesel Forum, Chicago, Oct. 2, 2018.