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VIA ELECTRONIC FILING

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U.S. Department of Agriculture, Commodity Credit Corporation, Rural
Business- Cooperative Service

Docket ID RBS-20-Business-0002-0001

Dear Executive Vice President Stephenson and Administrator Brand,

The National Biodiesel Board appreciates the opportunity to provide the U.S. Department of Agriculture input on the Higher Blends Infrastructure Incentive Program (HBIIIP).¹ We are hopeful that this funding will allow biodiesel to reach its potential by supporting our industry's infrastructure needs to facilitate growth. The biodiesel industry is grateful for the opportunity to be included in this program. As USDA moves forward, we ask that the department be inclusive of all infrastructure opportunities that would increase the use of biodiesel, including bioheat and sustainable aviation fuel. In order to ensure the best return on dollars spent and facilitate true growth, we ask that USDA emphasize investments where there is either an existing or emerging market. To bolster the infrastructure funded through HBIIIP, we ask USDA to allocate a portion of funds to educate consumers about the merits and sustainability of biodiesel, bioheat, and sustainable aviation fuel.

The following responses correlate solely to the expansion of biodiesel availability and opportunities to facilitate increased sales of B20 or higher.

1. What type of assistance/incentive would encourage the increased sales/use of fuel ethanol and/or biodiesel in a way that is most cost-effective to the government?

Investments would be best served on opportunities that would afford the greatest additional volumes of biodiesel (references to biodiesel include bioheat and sustainable aviation fuel) to enter the marketplace. The greatest barriers to biodiesel distribution are at the terminal and pipeline terminal level, as well as rail to reach distribution centers. In order to encourage the use of biodiesel, terminals need an incentive to invest in the hardware. Incentivizing terminals would make fuel widely available and would be helpful for a larger penetration of biodiesel. Additionally, investments in strategic terminals, pipeline storage and rail expansion will create a broader downstream capability to sell more gallons, both short and long term.

¹ 85 Fed. Reg. 2699 (January 16, 2020)

Focusing solely on dispensers and single tanks at street level for biodiesel, similar to the Clean Cities subsidies of the past, limits the capabilities of the industry to move the highest volume of biodiesel into the mainstream.

a. Should a potential biofuels infrastructure program incentivize the lowest cost per incremental gallon of ethanol or biodiesel use/sales at the retail/fueling station level or terminal/depot/wholesale level or both retail/fueling station and terminal/depot/wholesale levels?

Ethanol and biodiesel have different drivers to incentivize the lowest cost per incremental gallon. While NBB supports a sales incentive program for biodiesel growth; our industry would gain a greater benefit from investing in the infrastructure costs directly. We believe that restricting federal funding to a sales incentive will not encourage significant investment by the industry, thereby hindering growth. It may also limit investments to larger corporations and unintentionally restrict the locations of the investments.

b. What types of equipment and infrastructure should be eligible under the program?

This program should be inclusive of all equipment and infrastructure needed to support B20 and higher blends of biodiesel.

NBB supports the need to develop and grow equipment and infrastructure to build and retrofit traditional and/or pipeline terminals to blend biodiesel. The following equipment is needed for an average terminal to blend biodiesel and should be available for funding opportunities: large holding tank(s); receiving pump metering slide; delivery pumps to the truck loading area; metering and control valves for blending; piping to link all; heat traced and insulated for heat maintenance of the biodiesel; substantial foundation work for the storage facility and receiving and pumping; electrical installation; and automation control systems that integrate with existing facilities.

Increased rail capabilities to move and store biodiesel will also be needed to move increased volumes of biodiesel to help facilitate the higher blends. These additional infrastructure needs include upgrades and installation of transload facilities to get product into the market. Examples of additional needs for rail include but are not limited to rail yards and spurs, fuel storage terminals, transload facilities, and heating oil tanks.

Additional targets for infrastructure investment that would support higher blends include but are not limited to transfer stations, heated storage tanks, large-scale national retail chains, and large volume fleets utilizing biodiesel.

2. Should program funding provided to participants include: a) direct cost-share toward purchase of equipment, retrofitting, and enhancements; b) higher blend biofuel sales or marketing incentives; c) both; or d) other?

c) NBB recommends that program funding provided to biodiesel participants include direct cost-share toward purchase of equipment, retrofitting, and enhancements. However, we are not opposed to a limited portion of the funds going towards higher blend biofuel sales or marketing and educational incentives.

3. Should the program include minimum standards for equipment, such as equipment certified to dispense biofuel blends containing 25 percent ethanol (certified for use with E15) and/or B20-compatible or higher biofuel blend dispensers?

The minimum standards for equipment under this program should be B20. However, all investments in terminals should have capabilities to distribute up to B100.

4. From your perspective, what types of efforts have proven to be effective in increasing higher-biofuel blends sales?

To date, efforts that create market certainty have proven to be the most effective in increasing higher-biofuel blends sales: for example, state mandates and incentives, publicly stated carbon initiatives, carbon policies such as the California Low Carbon Fuel Standard, and federal programs including the Renewable Fuel Standard (RFS) and Energy Policy Act fleet requirements.

a. What are the most appropriate higher biofuel blend levels (for both ethanol and biodiesel) that the program should be incentivizing?

Should USDA include a sales incentive component for biodiesel, we ask that it be for products B20 and higher. Regarding hardware, the most appropriate higher biofuel blend level that USDA should be incentivizing under this program is B100. We ask that USDA not limit the capabilities of future biodiesel growth and incentivize terminals (or other distribution centers) at B100 with lower level blending capabilities.

d. Should there be a requirement for signage (as allowed by law) and marketing?

Yes; retailer and road signage should be required. However, this should not be applied to terminals and middle marketers. We recommend FTC update their labeling requirements to include a range versus a specific blend level, making it easier for retailers to offer the product.

e. Should USDA insist on consistent terminology and branding and naming of E15 and/or B20 or other higher biofuel blends?

Yes, USDA should insist on consistent terminology and branding and naming of B20, B50, and B100.

5. From your perspective, if cost-sharing is required, what minimum level of cost-share (owner contribution) should be required of recipients of funding? What would you consider to be the most cost-effective level of costshare?

NBB recommends that cost-sharing be required under this program. The most cost-effective level of costshare is at 50 percent, however, we recommend considerations of at least 25 percent.

6. What steps should a potential biofuels program take to ensure equitable program participation by small- to midsized station owners? (That is, owners of less than 10 to less than 20 sites/stations. We are especially interested to hear from small- to midsized station owners on this question.)

To ensure equitable program participation, NBB recommends that USDA include terminals as it will allow biodiesel to reach the masses. If terminals are awarded, a greater number of dispensers will have access to biodiesel -- as dispensers require a finished product. Awarding terminals will decrease costs and provide a higher standard of quality product, while allowing the product availability to reach a larger market. To ensure fuel quality, if small and midsized station owners are awarded incentives under this program, we ask that they are required to participate in education programs on proper handling and maintenance of biodiesel.

7. From your perspective, how much post-award reporting is reasonable for recipients of funding? e.g. quarterly or annual reporting of higher blend fuel sales by the participant?

Award recipients should report information quarterly during the construction phase and one-year following, after which they report annually for a total of a five-year period.

8. What other barriers exist that limit expansion of availability of biofuels to consumers? What specific actions could USDA take to guide a transformation and/or expansion of a nationwide biofuels-infrastructure program, in both the short- and long-term?

Currently, where there is not an incentive to use higher blends, it is difficult for terminals to justify infrastructure costs. In the short term, USDA should focus on where there is a justification for a biofuels market and where there is also a lack of supply. We ask that USDA prioritize awardees in those states and locales that have incentives or mandates where we know that the tanks, racks and injectors are needed for biofuels to expand and for the states and jurisdictions to reach their stated goals.

There are also numerous opportunities to make use of underutilized unit train rail loops and ladder track areas throughout the United States that are ideally located to load and unload biodiesel to and from rail cars. With proper and strategic scheduling, the biodiesel industry could take advantage of their location. Additionally, with the right marketing incentives, these locations may also have spare storage space allowing for bulk blending of B100 with diesel or heating oil either through loading lines or portable transloaders, which are commonly used to offload rail cars.

An additional barrier that limits the expansion of availability of biofuels to consumers is education and awareness. We ask that USDA include an education component to the program, promoting a consumer and Original Equipment Manufacturers (OEMs) awareness campaign regarding the merits of biodiesel.

Lastly, we ask that USDA consider funding the Biodiesel Education Program through this incentive. When funded, the Biodiesel Education Program has proven to expand awareness and markets for domestic biodiesel demand by educating government and private sector entities and the public about the benefits of biodiesel which in turn stimulates biodiesel consumption and development of biodiesel infrastructure. The goals of the HBIP are similar to that of the Biodiesel Education Program, in that focuses on educational programs which support advances in infrastructure, technology transfer, fuel quality, fuel safety and increasing feedstock production.

Examples of the direct benefits include:

- B21-B100 In-Use Data and Emissions with Existing Engines
- OEM's: Maintain and Secure Approvals for B20 and Higher Blends
- Fuel Quality Assurance Programs
- Bioheat Development and Promotion

Over the last five years, the National Biodiesel Board has leveraged \$3.6 million dollars from the Biodiesel Education Program into an additional \$17 million dollars, and used it to promote biodiesel's sustainability attributes, provide technical assistance to OEMs and more.

Since 2002, the Biodiesel Education Program received mandatory funding via Farm Bill. The Agriculture and Nutrition Act of 2018 provided authorization subject to annual appropriations. Congress did not provide funding for the Biodiesel Education Program in FY2020.

9. To what extent should infrastructure investments made today be required to accommodate fuels anticipated to be in the marketplace of tomorrow?

NBB recommends that the infrastructure investments made today should be investing in B100 to anticipate the marketplace of tomorrow.

10. Please provide feedback on the effectiveness of the 2015-2019 Biofuels Infrastructure Partnership (BIP) program.

Unlike the Biofuels Infrastructure Partnership (BIP) program, this program should expect to be multi-year. We ask that when incentives are considered to promote higher volumes and higher blends, emphasis should be placed on long-term agreements, a minimum of five years. The program should also take into consideration regional differences. For example, biodiesel infrastructure in northern states is going to be more expensive to install due to tank and pipe wrapping. Projects should not be discouraged or penalized for these added expenses and should be weighted appropriately. Additionally, projects should have flexibility in replacing partners or locations should a site fail to fully develop. Business decisions change as projects evolve, and we ask that program managers have the flexibility to make the overall effort a success. Lastly, we recommend that this program not be implemented through the states as there are drawbacks to running the program through the state offices.

The National Biodiesel Board looks forward to working with USDA as a program is developed to strengthen the market of higher blends of biodiesel. We are optimistic that this program will aid in facilitating growth of the biodiesel industry.

Sincerely,



Kurt Kovarik
Vice President, Federal Affairs
National Biodiesel Board (NBB)