



Testimony of Donnell Rehagen, CEO, National Biodiesel Board (NBB)

House Agriculture Committee

Subcommittee on Commodity Exchanges, Energy, and Credit

Hearing: "A Look at the Renewable Economy in Rural America"

November 16, 2021

Dear Chairman Delgado, Ranking Member Fischbach, and Honorable Subcommittee Members,

Thank you for considering the testimony of America's clean fuel producers, who play a pivotal role in the U.S. bioeconomy.

The National Biodiesel Board (NBB) represents the cleanest, lowest carbon fuels available at a commercial scale today for use in existing diesel engines and in many of the hardest-to-decarbonize transportation sectors. Our members include biodiesel, renewable diesel, Bioheat® fuel, and sustainable aviation fuel (SAF) producers as well as soybean growers and waste fats and oil processors. NBB is the industry's central coordinating entity for technical, environmental, and quality assurance programs and the strongest voice for its advocacy, communications, and market development.

Jobs and Economic Growth

The U.S. market today uses more than 3 billion gallons of these clean fuels – which supports more than 65,000 jobs across the country and generates more than \$17 billion in economic opportunity. Our industry is on a path to sustainably grow domestic production to 6 billion gallons annually by 2030, which can eliminate more than 35 million metric tons of greenhouse gas emissions each year. Every 100-million-gallon increase in U.S. production supports an additional 3,200 jobs and \$780 million in economic activity and can eliminate an additional metric ton of greenhouse gas emissions each year.

With advancements in feedstock, the market can reach 15 billion gallons by 2050. The United States will need these fuels in the future to meet the nation's clean air, energy, and agriculture goals – which are also the goals of the bioeconomy.

Our industry includes many small biodiesel producers in addition to large, integrated companies. In many rural areas of the country, small biodiesel plants are a driving force of the local economy, supporting the employment of plant operators, technicians and engineers as well as local construction workers, truck drivers and farmers. The economic opportunities and rural community development demonstrate biodiesel's potential to contribute to the rural, renewable economy.

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Value Added to Other Bioeconomy Sectors

Our industry's clean fuels are made from an increasingly diverse mix of resources, including recycled cooking oil and animal fats as well as surplus soybean, canola and distillers corn oils. Our fuels add value to fats, oils and greases that might otherwise lead to costs for other sectors of the bioeconomy.

For example, soybean oil is separated from soybean meal through oilseed crushing. Demand for the meal as a high protein animal feed drives growth in soybean production, which reached 4.4 billion bushels in the current marketing year. This growth creates an ever-increasing surplus of oil.

About 60 percent of the separated oil is currently used in U.S. food production, with some additional exports. However, the volume of oil for food and exports has been stable over the past decade without any growth. Biodiesel and renewable diesel producers are currently the only commercial-scale industry capable of absorbing the growing surplus of soybean oil. Approximately half of the biodiesel produced in the U.S. comes from soybean oil.

Traditionally, roughly half of all U.S.-grown soybeans have been exported each year – and crushed overseas – to meet animal feed demand. Instability in these markets – including trade wars – combined with growing markets for renewable fuels in the United States are encouraging investment in more U.S. crush capacity to keep the value of soybean oil here at home.

StoneX estimates that without biodiesel and renewable diesel production, the value of every bushel of soybeans grown in the United States could fall as much as 13 percent. Growth in biodiesel and renewable diesel production is enhancing the value of soybean oil to an increasing share of the value of the overall bushel. The bottom line is that farmers receive better value for their soybeans thanks to their partnerships with biodiesel and renewable diesel producers.

Rural livestock producers also benefit from increased biodiesel production. By boosting the value of surplus soybean oil – which would otherwise represent a loss to crushers – biodiesel production provides a counterweight to the price of soybean meal and the cost of raising poultry and livestock. As more surplus soybean oil is processed for biodiesel production, farmers can grow and crushers can process more soybean meal for animal feed at a lower price. Informa Economics has estimated livestock producers pay \$21 per ton less for soybean meal due to increased biodiesel production and use.

Approximately one fourth of all animal fats produced in the U.S. now go into biodiesel. Higher demand has led to increased value for those fats. While the price of animal fats are not primary drivers in determining the prices paid for fed cattle and market hogs, they do affect the profit margins in these industries.

Similarly, restaurants and other businesses must engage environmental service firms to handle used cooking oil, which is designated by the Environmental Protection Agency as a hazardous waste. By adding value to recycled cooking oil, biodiesel and renewable diesel production provides a counterweight to the costs for restaurants and environmental service companies to meet these regulations.

Environmental Health Contributions

Clean fuel production contributes to the bioeconomy by reducing the impacts and costs of carbon and particulate emissions. Biodiesel and renewable diesel reduce greenhouse gas emissions on average by 74% compared to petroleum diesel. In difficult-to-decarbonize transportation applications – the majority of diesel end uses – these clean fuels immediately and substantially reduce greenhouse gas emissions. Additionally, they significantly reduce criteria pollutants from diesel transportation and other end uses, which can have direct benefits for both rural and urban communities.

Biodiesel and renewable diesel have reduced U.S. emissions by 143.8 million metric tons since 2010, when the Renewable Fuel Standard first included biomass-based diesel obligations. These fuels have also made significant contributions to the carbon reduction goals of many states. For instance, California's total biodiesel and renewable diesel volume grew to 855 million gallons in 2020, meeting nearly 24% of California's total diesel demand for the year. These fuels have reduced the state's greenhouse gas emissions by 32.3 million metric tons since 2011.

In the Northeast, biodiesel and Bioheat® fuel will be required to meet the states' carbon reduction goals. Currently, one in five existing homes in the Northeast (around 4.5 million) rely on oil heat, using more than 2.3 billion gallons yearly. The region's biodiesel and Bioheat® fuel use annually avoids more than 1.5 million tons of CO₂ emissions, equivalent to removing 320,000 vehicles from the road or the emissions from annual energy use by 180,000 homes.

In addition to having one of the lowest carbon intensities of any liquid fuel, biodiesel also significantly reduces criteria pollutants from diesel transportation and other end uses. Major trucking corridors, warehouse distribution centers and other diesel hot spots close to population centers (often rural communities) can inflict serious harms to human health and often highlight disparities in the impacts of transportation pollution burdens as a result of emissions from petroleum fuel. Since biodiesel and renewable diesel cut these harmful emissions by half, their use can generate immediate health benefits for rural and disadvantaged communities.

A recent study, conducted by Trinity Consultants for NBB, shows that converting from petroleum-based diesel to 100 percent biodiesel (B100) results in a multitude of health benefits at the neighborhood level, including lowering cancer risk, reducing premature deaths, and decreasing asthma attacks. The study quantifies public health benefits and corresponding economic savings of converting from petroleum-based diesel to B100 for 13 disadvantaged communities in the U.S. currently exposed to some of the highest rates of petroleum diesel pollution.

The study found that switching to B100 in the home heating oil and transportation sectors would provide immediate community health improvements that can be measured in reduced medical costs and health care benefits, including approximately 50,000 fewer sick days in the study demographics.

In the transportation sector, benefits included a potential 44 percent reduction in cancer risk when heavy-duty trucks use B100, resulting in 203,000 fewer or lessened asthma attacks for the communities

studied. When biodiesel is used for home heating oil, the study found an 86 percent reduced cancer risk and 17,000 fewer lung problems for the communities studied.

These are benefits that can be achieved today with available production of biodiesel, renewable diesel and Bioheat® fuel. Since the study focused on only 13 communities, it represents the tip of the iceberg in what can be accomplished this decade through growth of the clean fuels industry.

Supportive Federal Policies

As Congress develops legislation to address the nation's infrastructure, climate and economic priorities, we ask that you support continued growth of the biodiesel and renewable diesel industry as a pivotal driver of economic opportunities for rural America. The Renewable Fuel Standard and biodiesel tax incentive have supported the growth of our industry to 3 billion gallons. Extension and optimization of policies will support the rural bioeconomy in the future.

Our industry grows and creates jobs and economic opportunities in rural communities when the biodiesel tax incentive is stable and forward-looking. For example, in 2020 the U.S. market for biodiesel and renewable diesel increased by nearly 200 million gallons even while the coronavirus pandemic reduced overall demand for transportation. We applaud Congress' proposal to provide a straightforward, multiyear extension of the biodiesel tax incentive.

NBB and its members appreciate the leadership of Rep. Cindy Axne (D-IA) and many others for advocating a long-term extension of the biodiesel tax incentive in the Build Back Better Act. This provision grew out of bipartisan legislation – HR 3472 – that she co-sponsored with Rep. Mike Kelly (R-PA) and 41 other members of the House. The policy enjoys bicameral support with companion legislation, introduced by Senators Grassley and Cantwell and co-sponsored by 12 other Senators. We ask that Congress maintain an equitable balance in duration and value for the policy in relation to other renewable energy incentives.

NBB and its members also applaud efforts to continue the federal matching grant program supporting higher blends of biodiesel. USDA's one-year Higher Blends Infrastructure program was a huge success, providing a tremendous return at a very low cost. To date, one third of the program's announced grants have been awarded to 24 biodiesel projects, which received a combined \$23.2 million. Completion of these projects will increase consumer access to 910.7 million gallons of biodiesel while eliminating 8.5 million metric tons of greenhouse gas emissions every year at a one-year cost of \$2.83 per ton. Continuing the program will help the industry build or retrofit terminals, storage, and rail capacity to extend access to these clean, low-carbon fuels.

We thank Reps Angie Craig (D-MN) and Axne for championing a ten-year authorization and funding of this grant program and support its inclusion in the Build Back Better Act. The proposal evolved from bipartisan, bicameral legislation co-sponsored by Reps. Rodney Davis (R-IL) and Dusty Johnson (R-SD) as well as Sens. Amy Klobuchar (D-MN) and Joni Ernst (R-IA). It promises to be an effective way to expand consumer access to cleaner, low-carbon transportation options.

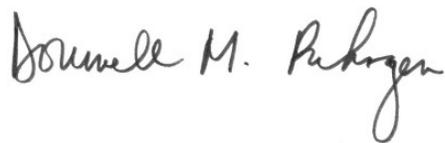
Additionally, Congress can work with the Environmental Protection Agency to optimize the Renewable Fuel Standard to achieve carbon emission reductions. It is clear that 2021 will end without EPA establishing an RFS rule for the year. It is also clear that EPA cannot meet its statutory deadline to set a 2022 rule and 2023 volumes before next year. And EPA must still consider more than 60 small refinery exemption petitions for 2019, 2020 and 2021.

EPA's delays in rulemaking create uncertainty for the biodiesel and renewable diesel industry, which hampers growth and opportunities within the rural economy. The delays allow refiners to manipulate the RFS rules and create uncertainty for renewable fuel producers. And uncertainty among biodiesel producers could undercut the value of this year's soybean harvest and impact jobs and economic growth opportunities throughout rural America.

Congress must encourage EPA and the administration to support reasonable, sustainable growth in biodiesel volumes, issue annual rules in a timely manner, and increase the transparency of the small refinery exemption process.

Conclusion

NBB and its members thank the committee for holding this hearing and considering this written testimony. The clean fuels industry is a pivotal contributor to rural economies across the country, creating jobs and value-added markets for agricultural partners. Moreover, biodiesel and renewable diesel use can improve environmental health and reduce associated costs for both rural and urban communities. Cleaner, better fuels highlight the contribution that rural economies can make to the nation's overall climate and carbon reduction goals. We look forward to working with Congress on policies that maximize these benefits.



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