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June 20, 2019

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

Dear Administrator Wheeler,

On behalf of the U.S. biodiesel and renewable diesel industry, I must express dismay at your recent comment to the Des Moines Register, indicating your hope “that by increasing ... E15 to year-round, it will help make up the difference for any small refinery exemptions going forward.”¹ I must remind you that the E15 waiver will not provide market growth for biodiesel and renewable diesel, but small refinery exemptions have had a detrimental impact on demand for those fuels. EPA is required to repair the demand destruction for biodiesel and renewable diesel resulting from your agency’s flood of unwarranted, retroactive small refinery exemptions.

Approximately 50 percent of domestic biodiesel and renewable diesel is produced from surplus soybean oil. Biodiesel adds approximately 63 cents in value to every bushel of U.S. soybean, which is important now as America’s soybean farmers are desperately seeking new markets as a result of ongoing trade disputes. If EPA continues to undercut the biodiesel market with small refinery exemptions, America’s soybean farmers will bear the brunt.

The exemptions are adding to the agricultural economy’s economic hardship. This year, farm income is down by nearly half compared to five years ago, due in part to disruptions in export markets that account for over half of U.S. soybean sales.² Rural commercial lenders are at risk with farm debt at a record \$426.7 billion.³ Farm equipment purchases plunged sharply in the first part of this year.⁴ Declines in income in any agricultural sector ripple throughout rural economies.

Biomass-based diesel is the most widely available, commercially produced advanced biofuel. Biodiesel and renewable diesel meet more than 90 percent of the annual Advanced Biofuel RVO.

¹ Eller, D. “Donald Trump touts ethanol victory in Iowa, but some leaders worry hardship waivers will undo gains.” Des Moines Register, June 11, 2019.

² Schnepf, R. U.S. Farm Income Outlook for 2019 (R45697). Washington, DC: Congressional Research Service, April 16, 2019.

³ Schnepf, *ibid.*

⁴ Dorning, M. “Farm Equipment Sales Plunge Most Since 2016 in Trade-War Fallout.” Bloomberg, April 26, 2019.

Independent analysis substantiates the demand destruction for biodiesel and renewable diesel resulting from small refinery exemptions. Professor Scott Irwin, Laurence J. Norton Chair of Agricultural Marketing at the University of Illinois, asserts that because the RFS is binding for biomass-based diesel, the retroactive exemptions directly reduce biodiesel use. He estimates that demand for biomass-based diesel will be reduced by nearly a billion gallons from 2018 exemptions, if EPA continues to grant small refinery exemptions indiscriminately.⁵ Professor Irwin further estimates that the economic losses for the industry exceed \$2 billion each year and could reach \$7.7 billion by next year for the 2017 to 2019 period.

With data from EPA's new dashboard, we calculate (see below) the gallons of biomass-based diesel exempted for 2015 through 2017 now exceed 360 million gallons for just the advanced biofuels category of the program. As noted by Dr. Irwin, demand destruction could have reached 739 million gallons in 2017 alone when combining the potential impact from the conventional biofuels volume obligation. That is an enormous amount of demand loss for an industry that your agency projects will produce 2.8 billion gallons of fuel this year.

EPA's dashboard data confirms that these exemptions are destroying demand for biomass-based diesel. The data clearly show that exempted refiners continue to roll forward millions of RINs to meet 2017 and 2018 obligations, thereby destroying demand for biodiesel and renewable diesel to comply with obligations this year.

As you know, EPA has many options to prevent additional damage to the biodiesel and renewable diesel industry.⁶ When setting the forthcoming annual standards, your agency can acknowledge that it intends to grant additional small refinery exemptions and include a good faith estimate of the exempted gallons in the RVO formula. Additionally, your agency can ensure that future small refinery exemptions are not granted retroactively. At a minimum, EPA must set the 2021 biomass-based diesel volumes at a level that supports our industry's demonstrated ability to produce fuel, and ensure that those volumes are upheld and met.

Sincerely,



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⁵ Irwin, S. "Small Refinery Exemptions and Biomass-Based Diesel Demand Destruction." *farmdoc daily* (9):45, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, March 14, 2019.

⁶ Renshaw, J. "Trump mulled plan in 2018 to scale back U.S. biofuel waivers: documents." Reuters, June 14, 2019.

Calculation of Biomass-based Diesel Gallons Exempted

Compliance Year	Exempted Fuel (million gallons)	Advanced RVO (%)	Exempted Advanced RINs (millions)	Biomass-based Diesel Impact (million gallons)
2015	3,070	1.62	45.2	29.3
2016	7,840	2.01	147.1	95.5
2017	17,050	2.38	368.5	239.3
Total				364.1