



**Comments to Environmental Protection Agency on Renewable Fuel Standard
Proposed Volumes
Submitted by the Iowa Biodiesel Board
August 17, 2018**

The Iowa Biodiesel Board appreciates the opportunity to comment on the proposed rule “Renewable Fuel Standard Program: Standards for 2019 and Biomass-Based Diesel Volume for 2020.”

In the Final Rule, we’re asking EPA to increase the 2020 biomass-based diesel volume to 2.8 billion gallons. EPA should also set the Advanced Biofuel RVO for 2019 at higher levels, to recognize biodiesel production capabilities. We believe the agency should be more aggressive in meeting Congress’s goals to move this country toward advanced biofuels. This would create more jobs, improve the economy, and benefit public health and the environment throughout the country.

The Iowa Biodiesel Board is a nonpartisan state trade association representing the entire value chain — from farmers, to producers, to petroleum marketers and others. Iowa is the nation’s leading biodiesel-producing state, making about 305 million gallons last year. That puts us in a unique position to comment on our industry’s production capabilities and the impact this law has on our businesses, our state’s economy, and the communities we serve.

EPA’s current proposed volumes, at face value, may seem like growth, but we make the case that they effectively hold us flat at a time when we are already operating below capacity.

Under the recently departed Administrator, EPA granted exemptions to an unusually high number of refiners. This undercut biodiesel demand by an estimated 300 million gallons. That happens to virtually equal Iowa’s 2017 production. The impact of these exemptions is like wiping out a year’s worth of production in the nation’s top biodiesel-producing state.

EPA itself acknowledges that the small refiner exemptions have created carryover RINs that will flow into 2019, reducing the demand for biofuels below the volumes it has proposed. EPA has the opportunity to repair this fault by further expanding biodiesel volumes.

The biodiesel industry stands ready to meet growing volumes. In fact, on the promise of a brighter future, the Iowa biodiesel industry has increased its capacity by more than 20 percent in the last few years. Yet we’re operating at 25 percent under capacity.

Our members say there are other expansion projects ready and waiting, including at Western Dubuque Biodiesel, the plant operated by IBB Chair Tom Brooks. Most are on hold until we see that the government is committed to year-over-year growth of the RFS.

We can meet production demand, and we have substantial room for growth.

Biodiesel has revitalized many rural areas in Iowa – an important component of why the RFS matters in America. As an example, Western Dubuque Biodiesel is in a town of 900 people, employing 24 people full-time, with wages and benefits totaling 1.6 million dollars. Those dollars churning in a small town has made the area a far better place now and for the next generation.

Unlike foreign oil, the spending that comes with biodiesel production on feedstock, other materials, goods and services, etc., generates significant circulation throughout the entire Iowa economy. This stimulates demand, supports jobs, generates additional household income, and creates new tax revenue.

Statewide, research from ABF Economics shows that last year, Iowa biodiesel helped support:

- Almost 3,800 jobs
- \$ 457 million Gross Domestic Product
- \$ 278 million of household income

In addition to the larger economy, biodiesel demand supports agriculture in our state. Caught in the crossfire of trade disputes and other market dynamics, farming income is at its lowest level in more than a decade. Soybean prices are well below what is considered break-even. We fear for the future of Iowa's family farms. Meanwhile, the oil industry continues to enjoy record profits.

EPA expresses an expectation and concern over decreasing growth in biodiesel feedstock. Yet U.S. agriculture continues to generate large and growing surpluses of soybeans. On June 29, the USDA National Agricultural Statistics Service released the 2018 Acreage Report and estimated U.S. farmers planted 89.6 million acres of soybeans, similar to last year but an increase of more than half a million acres from March planting intentions. U.S. soybean production is currently estimated at approximately 4.59 billion bushels for 2018. More specific to the supply situation, on August 10, USDA forecasted soybean ending stocks for the 2018 marketing year at 785 million bushels. This is an increase of 400 million bushels from the June 2018 forecast and highlights the available supply of soybeans in the U.S. Just the increase of projected ending stocks in soybeans alone represents more than 600 million gallons of potential biodiesel production.

This recent USDA supply and demand report makes it even more compelling for EPA to raise the Biomass Based Diesel numbers. All of these conditions have occurred after the release of the proposed volume obligations and represent additional feedstock supplies. It is also noteworthy that current situation relative to trade will impact U.S. markets and could meaningfully impact supplies of raw material.

Farmers have met the increased demand for soybean protein meal and done so with increasing efficiency and sustainability. Since 1980 U.S. farmers have increased production by 96 percent while using 8 percent less energy, land use per ton of soybean production has decreased by 35 percent, and greenhouse gas emissions



have decreased by 41 percent per ton.

As EPA correctly recognizes and states in the proposal, the planted crops that supply vegetable oil for biodiesel are grown in response to protein meal demand for livestock feed, and the oil is a co-product. Biodiesel production creates a value-added market for the co-product soybean oil generated by the growing global demand for protein meal.

To elaborate on how biodiesel makes farming more profitable, a study by Informa Economics shows biodiesel contributes about 63 cents per bushel of soybeans, which benefits soybean farmers. But importantly, most of this comes from more value for the soybean oil, which has the effect of lowering the price of meal for livestock producers by \$21- \$42 per metric ton. That in turn makes livestock production more profitable, helping to increase our available food supply and reduce food prices at the same time. The reduction in protein feed costs has reduced feed costs for livestock producers by a total of \$5.9 billion – \$11.8 billion, according to the same study.

According to the State of Iowa, approximately 25 percent of Iowa's economy is connected to agriculture, and renewable biofuels are a key foundation to that sector. Iowa tax revenues are down more than expected this year, and that is largely attributed to the prolonged downturn in the agriculture economy. Agriculture not only ensures a secure food supply for our people, it affects jobs in manufacturing, life sciences, insurance, finance, transportation, as well as many other ag-related products and services that are all interconnected. Iowa is the largest or nearly the largest producer of many different agriculture commodities, such as corn, soybeans, pork, beef, dairy, eggs, turkeys, ethanol and biodiesel.

It is worth noting that Iowans deeply support the renewable fuels industry and the RFS. Recent polling commissioned by the National Biodiesel Board shows a resounding 75 percent of Iowa voters think federal policy should encourage expanded use of biodiesel. Even more – 85 percent – said it is important to them that President Trump keep his promise to support the RFS.

Once again, we're asking EPA to increase the volumes in the Final Rule to a biomass-based diesel volume that is at least 2.8 billion gallons in 2020. We're also asking EPA to set advanced biofuel volumes higher for 2019. We urge EPA, in a new chapter with new leadership, to follow through on the president's pledge to support biofuels and protect the RFS in a way that is genuine and impactful.

The Iowa Biodiesel Board would like to thank EPA on its work to implement the Renewable Fuel Standard in accordance with the intent of Congress.