



# ISSUE BRIEF

Contact: Randy Olson, 866.683.4172

[randy@iowabiodiesel.org](mailto:randy@iowabiodiesel.org)

Updated January 11, 2010

---

## BIODIESEL FUEL QUALITY STANDARD

### *Critical Issue*

Iowa's biodiesel industry has been a national leader in the effort to reduce our country's dependence on foreign oil and create a cleaner, healthier environment. In recent months, however, fluctuating grain and crude oil prices have created major financial stress for the industry. As a result, nearly every Iowa biodiesel plant is either operating drastically below capacity or not at all. While nationally the long-term outlook for biodiesel is strong, steps must be taken now if Iowa is to maintain its leadership position in production.

Surrounding states have become increasingly more aggressive in their promotion of biodiesel. Policymakers in Minnesota, for example, are standing firmly behind biodiesel because they understand the economic and environmental benefits. Since May of 2009, every gallon of diesel sold in Minnesota contains at least 5% biodiesel. That number is set to go up to 20% by 2015. Four other states have similar policies that replace a portion of our dependence on foreign oil with domestic biodiesel in every gallon and others are considering proposals. The state of Illinois exempts biodiesel from sales tax, which means a savings of 12½ cents on a \$2 gallon of diesel. Given the benefits of biodiesel for Iowa, the Iowa Biodiesel Board (IBB) believes Iowa policymakers should consider taking similar steps immediately to encourage demand of biodiesel in order to remain the nation's leader in renewable fuel production thereby supporting the price of soybean oil.

### *Initiative*

In April 2009, the Iowa Senate approved Senate File 464 ("Biodiesel Fuel Quality Standard"), which would require that every gallon of diesel sold in the state of Iowa contain at least a 5% blend of biodiesel.<sup>1</sup> The Biodiesel Fuel Quality Standard would also provide a retailer with a refundable tax credit of \$.03 per gallon for sales containing a biodiesel blend of 10% or higher

The Biodiesel Fuel Quality Standard passed the Senate with bi-partisan support on a vote of 31-19. It will now be considered by the House in the 2010 legislative session. IBB believes this initiative will reassert Iowa's leadership in renewable fuels while supporting job creation and economic opportunity in rural Iowa. Similarly, the following organizations have declared support for the legislation: Iowa Soybean Association, Iowa Farm Bureau Federation, Renewable Energy Group (REG), Iowa Renewable Fuels Association, Iowa Corn Growers Association and the American Lung Association.

### *Results*

Passage of the Biodiesel Fuel Quality Standard would have a dramatic impact on the availability and usage of biodiesel in this state. The Iowa Department of Revenue's Motor Fuel Gallons Annual Report released in April of this year<sup>2</sup> showed that Iowa had retail sales of only 8.3 million gallons of biodiesel in 2008, which reflected only 1.1% of all diesel sales. More importantly, biodiesel was only offered for sale in less than 25% of retail locations across the state. The Biodiesel Fuel Quality Standard would immediately result in biodiesel at every pump and minimum expected sales of 37.8 million gallons of biodiesel—**representing a 355% increase.**

The potential benefits to Iowa's economy and environment are also substantial. It is estimated that biodiesel production adds more than \$1 billion to Iowa's GDP and supports more than 5,400 jobs. Biodiesel is a sustainable, renewable alternative to diesel fuel that reduces greenhouse gases and other emissions, and is nontoxic and biodegradable. In fact, the national biodiesel production of 700 million gallons in 2008 reduced greenhouse gas emissions by roughly the equivalent of removing 980,000 vehicles from U.S. roads.

---

<sup>1</sup> The legislation has several narrowly tailored exemptions for use at nuclear power plants, airports, in locomotives, and emergency equipment. Additionally, the Governor would have the authority to suspend the standard in the case of an emergency.

<sup>2</sup> Available at [http://www.iowa.gov/tax/educate/08motor\\_fuel\\_retailers\\_annual\\_report.pdf](http://www.iowa.gov/tax/educate/08motor_fuel_retailers_annual_report.pdf)