



Advanced
Biofuels
Association



October 31, 2017

The Honorable Kevin Brady
Chairman
House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
House Ways & Means Committee
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

For the last several years, the seven undersigned trade organizations have expressed concern about changing the biodiesel and renewable diesel blenders' credit to a production tax credit. The effort to change the credit in this manner was born out of a desire to cut off imports from Argentina and limit consumption of biodiesel in the United States to domestically produced product. Our associations and the companies we represent continue to believe that this policy shift would harm those who have already made investments to produce and blend biodiesel products, while raising prices to consumers in order to deal with a trade issue that has already been addressed.

Given the recent announcements by the Department of Commerce concerning trade issues surrounding biodiesel imports from Indonesia and Argentina, this policy shift is not only unwise but is now unnecessary. In a tax reform environment where Congress is attempting to broaden the base and lower rates, the undersigned organizations urge you to create a transitional provision – similar to that adopted for wind and solar – and support a five year phase out of the existing blenders' credit. In addition we would support having the tax apply only for use in the United States to avoid any concerns of exports and trade violations.

For the first time, this letter also includes the support of major US producers and distributors of biodiesel and renewable diesel who realize the necessity of renewing the existing credit rather than trying to create a new production credit. Indeed, beyond a small handful of companies, the rest of the biodiesel and renewable diesel supply chain – including consumers – support a phase-out of the blenders' credit to provide market certainty and compliment the Renewable Fuel Standard (which already provides a guaranteed demand for biodiesel).

The blenders' credit has worked successfully to build a robust biodiesel and renewable diesel industry, one that has not only met the mandates under the Renewable Fuel Standard but exceeded them by over 100%. As a result, in the last two years the United States has enjoyed over 2 billion gallons of diesel replacement fuels that reduce greenhouse gas emissions by greater than 50% relative to traditional diesel. On top of this, it has afforded customers such as the trucking industry and Northeast heating oil users a reduction in the overall price point of their fuels.

Shifting to a producer credit on the other hand would limit supply and raise the price of both diesel fuel and heating oil. It would also subject the United States to potential trade policy disputes.

We urge you to reject efforts to change the credit at this time. The blenders' credit has worked for the greatest number and has created the greatest good for those who produce and consume biodiesel and renewable diesel fuels.

Sincerely,

