

April 11, 2016

The Honorable Orrin Hatch
Chairman
Committee on Finance
219 Dirksen SOB
Washington, DC 20510

The Honorable Ron Wyden
Ranking Member
Committee on Finance
219 Dirksen SOB
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

Last year, the undersigned organizations expressed concern about changing the biodiesel and renewable diesel blenders tax credit to a production tax credit. We continue to believe that the existing blenders credit offers the most benefit to the widest array of stakeholders, from small producers of biofuels to truckers and drivers of diesel vehicles, heating oil users and the blenders and marketers, who make the distribution investments. We urge you to oppose any change to the existing tax credit. Any change of this magnitude requires serious examination by both the Senate and House committees and the opportunity for affected taxpayers and consumers to inform Senators of the effects of this change.

The associations below represent every gallon of diesel sold in the United States as well as those who use the most diesel in the United States. Therefore, we support a two year extension of the current blenders credit should you consider extenders this year.

Since 2005, there has been a biodiesel and renewable diesel blenders tax credit of \$1.00 for each gallon of biodiesel or renewable diesel used in a qualified mixture. This tax credit, which expires at the end of 2016, was created to stimulate production and use of biodiesel and renewable diesel, an agricultural alternative to fossil fuels.

The Committee should carefully consider the following issues when evaluating such a change:

- The increase in the cost of fuels for consumers
- The increase in the cost of heating oil
- The potential violations of trade agreements, which could result in sanctions
- The increase in RIN prices, which could increase fuel prices for all consumers
- The impact on the ability to produce the mandated biomass-based diesel gallons under the Renewable Fuels Standard

Converting the blenders tax credit to a producer tax credit and denying its availability to all fuels will benefit a small group of large biodiesel producers and come at the expense of fuel retailers and consumers. This approach was specifically rejected in last year's final extenders package and is extremely contentious at this time.

The biodiesel and renewable diesel tax credits stimulate consumption of these fuels by reducing fuel prices for the millions of trucks that move two-thirds of the country's freight. Limiting the supply and/or availability of biodiesel will severely impact fuel blenders, who have incurred significant costs to purchase and maintain the equipment to dispense blended fuels. Additionally, this will result in an increase cost for fuel buyers and the overall nation's consumers who will pay higher prices for the shipment of goods.

There is also significant concern that if changed the provision will limit the amount of supply of biofuels heating oil into the Northeast. Moreover, the excise tax system in combination with this change could lead to consumers paying as much as an additional \$0.24 per gallon for their biofuels mixed heating oil.

Finally, converting the tax credit to a domestic production credit may also result in a trade violation. This trade concern is just another example of why any change to the longstanding blenders tax credit requires a more deliberative process.

The current blenders credit for biodiesel is successfully creating a market for biodiesel and renewable diesel and building consumer acceptance. Continuing the policy that allows truckers to share in the value, and benefits those who invest to blend the fuels, is a proven and sound policy. Ironically, moving to a production credit would lead to less use of renewable fuels in the United States and more being exported abroad.

We believe the current blenders credit should continue to be extended in its current longstanding form for an additional two years. We urge you to reject any modification to this tax credit in any legislation without full oversight and regular order.

Respectfully,



**Advanced
Biofuels
Association**



Cc: Committee Members