National Biodiesel Board
605 Clark Ave.
PO Box 104898
Jefferson City, MO 65110-4898
(800) 841-5849 *phone*
(573) 635-7913 *fax*

National Biodiesel Board
1331 Pennsylvania Ave., NW
Suite 512
Washington, DC 20004
(202) 737-8801 *phone*
www.biodiesel.org

Written Testimony of Joe Jobe
Chief Executive Officer
National Biodiesel Board
Submitted to the United States House of Representatives
Committee on Energy and Commerce
Subcommittee on Energy and Power
Overview of the Renewable Fuel Standard: Stakeholder Perspectives
July 23, 2013

Chairman Whitfield, Ranking Member Rush and members of the Committee, it's good to see you again and I want to thank you for the opportunity to testify today on behalf of the National Biodiesel Board (NBB) regarding our perspectives on the Renewable Fuel Standard (RFS).

We have appreciated the opportunity over the past few months to respond to the committee's "white papers" and provide other information on our industry's tremendous success under the RFS. The timing of this hearing, I believe, is fortuitous for consumers because recent international events and the corresponding run-up in fuel prices should remind us all why Congress and the Bush Administration created the RFS just seven years ago with overwhelming bipartisan support. Despite what we have heard from the petroleum sector, the overwhelming driver of those price increases is our dependence on global petroleum markets, the lack of domestic refining capacity, which biodiesel provides, and the lack of choice in the fuels marketplace. As we are seeing with this latest price spike, no matter how much oil we find here at home, consumers will continue to see rising gas prices until we diversify the market. That is what the RFS is all about, and it is a success story.

Specific to our industry, I would like to leave you with two key messages today. First, Under the RFS, the Advanced Biofuel and Biomass-based Diesel programs are working. And second, with help from the RFS, biodiesel is reducing consumer prices at the pump.

But before I go into detail on those two points, please allow me to provide some background.

Biodiesel is a renewable, low-carbon diesel replacement fuel made from an increasingly diverse mix of resources including agricultural oils, recycled cooking oil, and animal fats. It is the first and currently the only EPA-designated Advanced Biofuel that is produced on a commercial scale across the country – and the first to reach 1 billion gallons of annual production. It meets a strict ASTM fuel specification and is used in existing diesel engines without modification. In 2011 and again in 2012, our industry produced nearly 1.1 billion gallons of biodiesel in plants across the country, from California to Florida, and blended that fuel into the 55 billion gallon petroleum diesel market.

NBB is the national trade association representing the biodiesel and renewable diesel industries. Our organization is made up of producers, feedstock organizations, fuel marketers and distributors, and technology providers, and our members have produced the vast majority of the Advanced Biofuel pool under the RFS in recent years.

Many today have focused on concerns about the blendwall and E-15, but I would like to take this opportunity to remind everyone that biodiesel is an Advanced Biofuel under the program that is exceeding volume requirements. Our industry, in fact, has cracked the 1 billion gallon mark for two consecutive years, exceeding the volume requirements under the RFS in 2011 and 2012. And we are on pace to do so again this year. This is a tremendous success story that is creating jobs across the country, improving our energy security, helping consumers and reducing pollution.

In exceeding the minimum requirement under the RFS, our industry has produced more than 800 million excess biodiesel gallon RINs (See Attachment A). This has given obligated parties a number of options, including the ability to use those excess gallons and RINs to help fill their conventional fuel requirements. In other words, a biodiesel gallon can be used to fill 1.5 ethanol gallons under the RFS. When biodiesel RINs are used to fill the conventional ethanol pool, blend wall issues are delayed a bit.

Looking back, in 2004, before the RFS was put in place, our industry produced only 25 million gallons. This year, we are on pace to produce more than 1.5 billion gallons. We have registered capacity at EPA to produce more than 3.0 billion gallons, so our facilities are running at approximately 50 percent capacity. Since 2005, the biodiesel industry has added more than 5.0 billion gallons of domestically produced biodiesel to the country's finished fuel supply. This is creating a number of benefits including:

1. Biodiesel adds real domestic manufacturing and professional jobs to our economy – at 1.0 billion gallons we support more than 50,000 jobs.
2. The added biodiesel refining capacity reduces our dependence on foreign oil and loosens refining limitations, which helps stabilize the devastating impacts of the global price of petroleum.
3. Biodiesel significantly improves the environmental quality of diesel fuel, reducing general pollutants as well as carbon emissions. According to the EPA, biodiesel reduces lifecycle greenhouse gas emissions by 57 percent to 86 percent compared to petroleum diesel. With some 4.6 billion gallons used between 2005 and 2012, biodiesel has reduced lifecycle greenhouse gas emissions by 74 billion pounds – the same impact as removing 5.4 million passenger vehicles from America's roadways.
4. Biodiesel helps keep cooking oil out of our sewer systems, landfills and waterways, preventing costly infrastructure repairs (cooking oil is a feedstock for biodiesel).
5. Biodiesel uses, as a feedstock, the rendered animal fat from cattle, hogs, chickens and turkeys and by doing so we increase the value of livestock producers by $10.00 a head for cattle, $1.25 for hogs and 30 cents for chicken and turkey – on each animal.

Additionally, biodiesel is saving consumers money at the pump.

Biodiesel is traded as a commodity, like a barrel of oil or a gallon of #2 diesel fuel or heating oil. With the help of the RFS, fuel distributors are purchasing biodiesel at a lower price than petroleum diesel, resulting in estimated consumer savings of $120 million in 2013. Consider these independent third-party statements:

- Navy Secretary Ray Mabus, Testimony before U.S. House Armed Forced Committee, April 16, 2013: "This past year the Navy purchased a B20 blend (80 percent conventional/20 percent biodiesel) for the steam plant at the St. Julien's Creek Annex, near Norfolk, VA. The cost of the B20 is 13 cents per gallon less expensive than conventional fuel, and is projected to save the facility approximately $30,000 over the 2012-2013 heating season."

- Gadsden, Ala., Mayor Sherman Guyton on the city saving about $100,000 annually in fuel costs and taxes by switching much of the city's fleet to 20 percent biodiesel blends: "We are being kinder to our environment, we are saving money and we are reducing our dependence on foreign oil. There's no downside. It's a win, win, win situation." (Gadsden Times - May 30, 2013).

- Michael Whitney, Love's Travel Stops/Musket Corp.: "Over the course of the past year delivered biodiesel prices have been lower than diesel prices. Accordingly, wholesale marketers of diesel have been able to offer biodiesel blends at the rack at a discount to clear diesel (diesel without biodiesel). These discounts have varied over the course of the year from as little as $0.0025 (1/4 of a cent) to as much as 4-5 cents per gallon."

These are all positives helping to stabilize the U.S. economy at a time when consumers are being hit with some devastating consumer inflation issues specifically related to the global price of oil. During the past year or so, through a well-organized media campaign we have heard a great deal of rhetoric about the cost of biofuels to obligated parties. Clearly, we understand they don't like the RFS, but it is clear that diversification and the RFS are good for consumers.

Just last week the U.S. Labor Department stated that "energy prices are impacting inflation for consumers." In its inflation report for the month of June, the Consumer Price Index (CPI), measuring consumer inflation, showed that prices were up by 0.5% on the headline CPI, but up only by 0.2% for the core CPI, which excludes the volatility of food and energy prices.

Opponents of the RFS often try to assert that hydraulic fracturing and horizontal drilling technologies have provided access to domestic shale oil, and that these new domestic sources of oil will make us energy independent. Their argument is that we no longer need the RFS or to develop any alternative sources of transportation fuel because we are increasing domestic petroleum supply which will lead to cheap fuel prices for US consumers. This is a false argument because it assumes that crude oil is priced regionally rather than globally. The US is several years now into one of the largest domestic oil booms in decades, yet US consumer prices for gasoline and diesel fuel have remained high and unstable.

The recent Egyptian revolution is another stark example of the fact that the domestic shale oil boom, by itself, will not protect US consumers from unstable global oil prices. Since the unrest in Egypt started, oil has jumped above $106 per barrel and gasoline prices recently shot up 20 cents in just 10 days. Global supply and demand did not change one drop. And Egypt doesn't even have any oil, they are just a key player in the unstable region where most of the world's oil resides.

Canada is a net exporter of oil - completely energy independent. Yet Canadian consumers will be paying the same increased cost at the pump generated by this latest unrest in Egypt. The Canadian experience provides compelling evidence that as a country, you can be a net exporter of oil, but it will not insulate your citizens from paying whatever price the international market and OPEC decide they will pay.

As stated recently in the *Wall Street Journal (July 10, 2013):* "The return of geopolitical concerns to oil markets has dimmed hopes that a U.S. shale boom could put a lid on the prices motorists pay at the pump."

The fact is that we simply cannot manage the global price of oil by increasing our own supply.

The only answer – which the RFS is gradually accomplishing – is to do what the electricity markets have smartly done: diversify our supply of fuels and build capacity. Coal, natural gas, nuclear, hydro, geothermal, wind, solar, and biomass all fuel our power plants, making our electricity prices stable and affordable. Clearly it makes sense to do the same in the transportation fuels market. We must also increase our refining capacity – and the only efficient way to do that in the near to midterm is through the ongoing development of biofuels.

By nurturing a renewable fuels industry in the U.S., we provide competition in the marketplace to keep prices down. Not only do we become less dependent on foreign oil, we become less dependent on *any* singular fuel. And in the process, we improve the air we breathe while creating good jobs here at home.

It was right when President Bush made the Renewable Fuel Standard the country's first real transportation fuels energy policy in 2005. And it remains the right policy today.

Before I close, I want to discuss briefly the issue of fraudulent RINs. In 2010 and 2011 the biodiesel industry experienced several cases of fraud where criminals created and traded paper biodiesel RINs that were not supported by biodiesel gallons. Our industry worked closely with EPA and now two of the three cases were resolved in court and two criminals are sitting in jail. The third case is pending.

Just 12 months ago, I testified before the Energy & Commerce Oversight Subcommittee where we explained how our industry created a working group with the petroleum industry to assist EPA in solving fraudulent RIN issues. I am pleased to report that EPA, together with industry, has efficiently put in place a new regulatory framework that encourages RINs to be audited by independent auditors and that affords obligated parties the opportunity for an affirmative defense should they submit invalid RINs for compliance purposes. It is anticipated that EPA will

finalize the regulatory rule this fall. The proposed rule created a temporary framework that is in place for 2013, so obligated parties can benefit from the audit program immediately.

Although not perfect, the RIN audit program or Quality Assurance Plan (Q-A-P) is an example of what we can do collectively to solve real issues like fraud. I am confident, that we can resolve many of the other issues highlighted by this hearing if we work together cooperatively.

We appreciate the opportunity to provide you with our insights and look forward to working with this committee on any questions or comments you may have.

ATTACHMENT A