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June 20, 2018

TO: Members, Subcommittee on Environment

FROM: Committee Majority Staff

RE: Hearing entitled “Advanced Biofuels Under the Renewable Fuel Standard:
Current Status and Future Prospects.”

I. INTRODUCTION

The Subcommittee on Environment will hold a hearing on June 22, 2018, at 9:15 a.m. in 2322 Rayburn House Office Building. The hearing is entitled “Advanced Biofuels Under the Renewable Fuel Standard: Current Status and Future Prospects.”

II. WITNESSES

- **Mike McAdams**, President, Advanced Biofuels Association;
- **Derrick Morgan**, Senior Vice President, American Fuel & Petrochemical Manufacturers;
- **Robin Puthusseril**, Vice President, Greater Chicago Truck Plaza *on behalf of the National Association of Truck Stop Operators*;
- **Randy Howard**, CEO, Renewable Energy Group *on behalf of the National Biodiesel Board*;
- **Brooke Coleman**, Executive Director, Advanced Biofuels Business Council;
- **Collin O’Mara**, President, National Wildlife Federation; and
- **Luke Morrow**, Managing Director, Morrow Energy *on behalf of the Coalition for Renewable Natural Gas*.

III. BACKGROUND

The Renewable Fuel Standard (RFS) was created by the Energy Policy Act of 2005 but was substantially revised by the Energy Independence and Security Act of 2007 largely to encourage increased use of advanced biofuels. In order to achieve this goal, the program was expanded from one general category of biofuels to four interrelated categories, each with

specified annual volumetric targets through 2022. The additional three categories— biomass-based biodiesel, cellulosic biofuel, and total advanced biofuels – are all advanced biofuel categories subject to additional requirements beyond those imposed on corn-based ethanol and other so-called first generation biofuels. Among these provisions is the requirement that qualifying advanced biofuels must achieve at least a 50 percent reduction in greenhouse gas emissions relative to petroleum-based fuels, and a 60 percent reduction in the case of cellulosic biofuels. The 2007 RFS envisioned advanced biofuels eventually overtaking first generation biofuels and comprising most of the qualifying fuels in the program-- 21 billion gallons out of 36 billion by 2022.

Biomass-based diesel and cellulosic biofuel are categories within the overall advanced biofuel category, which is itself a category within total renewable fuel. The statutory volumetric target for biomass-based diesel is set by EPA based on six criteria set out in law, but can be no less than 1 billion gallons. The target for 2019 is 2.1 billion gallons of biomass-based diesel to be added to the nation's diesel fuel supply, the same as that for 2018. Most biomass-based diesel is made from soybeans or fats. Supporters contend that biomass-based biodiesel could be produced in volumes well above 2.1 billion gallons if EPA sent a clear market signal, while opponents say that it is considerably more expensive than conventional diesel thus blending is uneconomic.

Cellulosic biofuels were an emerging technology in 2007, so additional safeguards were provided should actual production fall short of expectations-- this has proven to be the case. Unlike other categories of biofuels where EPA has discretion to adjust the targets, the agency is required by law to reduce the annual volumes of cellulosic biofuels should it determine that insufficient amounts will be produced. The cellulosic biofuels target for 2018 is 288 million gallons, reduced from the statutory target of 7 billion gallons. Most of this is met from qualifying biogas produced from landfills and used in vehicles, while production of liquid cellulosic biofuels remains low.

Beyond biomass-based diesel and cellulosic biofuels, certain other fuels also fit into the advanced biofuel pool. Some have suggested that the three categories of advanced biofuels should be simplified to facilitate compliance and add flexibility.

A number of exogenous policies have greatly impacted advanced biofuels markets and RFS compliance. These include trade restrictions and duties now imposed on certain imported advanced biofuels as well as the potential end to tax credits applicable to them. Efforts by the current Administration to impose new administrative measures, such as counting certain exported biofuels towards meeting the compliance targets, have also raised additional questions about the program. Advanced biofuel producers argue that the lack of certainty on federal policy has greatly undercut investment in new facilities.

The Subcommittee on the Environment has held three hearing this year dealing with various aspects of the future of fuels and vehicles and the role of the RFS in it. A number of RFS reforms have been discussed, including a potential sunset of the program and transition to high octane fuels and vehicles. Advanced biofuels are part of the RFS, and changes to one part of the program will have an impact on others, especially given the interrelated nature of the four

categories comprising it. Thus, advanced biofuels are an integral component of any debate over RFS reform.

IV. ISSUES

The following issues may be examined at the hearing:

- The current status of and future issues with the advanced biofuels component of the RFS.
- Ideas for reforming the advanced biofuels provisions in the RFS.
- The impact of various proposed RFS reform efforts on advanced biofuels.
- The consumer impacts of advanced biofuels.

V. STAFF CONTACTS

If you have any questions regarding this hearing, please contact Jerry Couri or Mary Martin of the Committee staff at (202) 225-2927.