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Advanced Biofuels
2013 and 2014

D4 RINs – Biodiesel & Renewable Diesel

Q: What *was* Congress and what *is* the Administration trying to accomplish under the RFS?

1. Bring Advanced Biofuels to the Marketplace
2. Diversify the fuel supply
3. Decrease Green House Gas Emissions
4. Create Jobs
5. Move the U.S. towards greater Energy Independence and Security and to INCREASE the production of Renewable Fuels. Pub. L. No. 110–140, 121 Stat. 1492 (2007).

Q: What Issues are the Administration Attempting to Address?

1. Blend Wall Issues

    a. The blend wall issue which hinges on using more than 10% ethanol in the gasoline pool *is a conventional biofuels issue* – Advanced Biofuels have NO Blend Wall issues

    b. Potentially High RIN Prices – Recent High RIN Prices have become an issue of late for conventional biofuels. Advanced Biofuels (D4 RINs) can be used to fill three RIN categories for obligated parties (D4, D5 and D6); therefore, when D6 RINs increase in value, then D4 RINs must increase in value too.

    c. Engine Compatibility – Advanced Biofuels have NO engine compatibility issues.

    d. Pump Compatibility – Advanced Biofuels have NO pump compatibility issues.

- *The issues with the Blend Wall are not issues that are made worse because of the volume of Biodiesel and Renewable Diesel added to the Diesel Pool.*

2. Jobs

3. Green House Gas Emissions

4. Price of Diesel Fuel for Consumers

Q: How does Lowering the Biodiesel/Renewable Diesel Volume Contribute to Fixing the Issues of Concern in the Conventional Pool?

A: *It doesn't.*

Every issue being discussed as part of the conventional pool will need to be addressed whether there is a 4 billion gallon Advanced Biofuel Program or zero gallons in an Advanced Biofuel Program!

The Advanced Pool is Doing What Congress Intended?

1. *It is growing annually at a responsible volume increase for Advanced Biofuels.*

2. *What are the expectations for Biodiesel / Renewable Diesel production in 2013?*

   See Chart for Comparison of 2011 – 2014

   D4

   In 2013, during the first six months (jan-Jun) we produced 701 million gallons and generated 1.059 billion RINs.

   It is projected that during the second half of the year (Jul – Dec), that we will produce approximately 160 million gallons per month which equals 960 million gallons.

   The total 2013 projected volume is 1.661 billion gallons (701+960 =1.661)

   This equates to 2.523 billion RINs.

   D5

   Separately, during the first half of 2013 - in the D5 space - 4 million gallons of biogas, 9.7 million gallons of other advanced fuels, and 222 million gallons of sugar cane ethanol have generated RINs that equal 242.5 billion. Assuming 45 million gallons of D5 RINs per month for Jul-Dec, which would generate an additional 270 million RINs, then the total D5 RINs generated in 2013 would be 512.5 million.

   The total Advanced Biofuels RIN Projection for 2013 is ***3.035 billion RINs.***

We are worried about backtracking from these RIN numbers.

Our Industry is growing, albeit slowly and responsibly. If EPA or OMB does anything to lower these numbers for either the rest of 2013 or for 2014, then the ***only*** *outcome for the advanced biofuels sector of the RFS will be devastation.*

Again, See Chart for Comparison of 2011 – 2014

3. *Jobs:*

	Year	***Gallons***	***Jobs***	
Projections	*2013*	*1.6 billion*	*62,421*	
No Growth Scenario	*2014*	*1.28 billion*	*50,725*	
Slow Growth Scenario	*2014*	*1.9 billion*	*74.118*	*(slow growth scenario* adds 300 million gallons
Jobs Lost			*(23,393)*	*to current production)*

4. *Diesel Displaced Since 2005 = 5.143 billion gallons*

5. *Greenhouse Gas Emissions Reductions*:

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*

In 2013, we are on track to displace another 1.6 billion gallons of diesel fuel and reduce ghg emissions by another *25.7 billion pounds*. In 2014, we have the potential to reduce ghg emission by *another 30.5 billion pounds* if we increase the BBD program to 1.9 billion gallons. Compared to leaving the volume amount at 1.28 billion gallons, then we will lose nearly 10 billion pounds of ghg emissions reductions as we will reduce ghg emissions by only *20.6 billion pounds*.

	Year	***Gallons***	***GHG Reductions***
Projections	*2013*	*1.6 billion*	*25.7 billion pounds*
No Growth Scenario	*2014*	*1.28 billion*	*20.6 billion pounds*
Slow Growth Scenario	*2014*	*1.9 billion*	*30.5 billion pounds*
GHG Reductions Lost:			*(9.9 billion pounds)*

6. *Creating Excess RINs:*

Historically, the Biomass-based Diesel pool has exceeded the minimum requirement under the RFS, our industry has produced more than 800 million excess biodiesel RINs since 2011 and we have carried forward to 2013 nearly 300 million excess RINs from 2012. 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, then obligated parties have additional RIN compliance flexibility and 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 1.6 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:

- 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.

- Biodiesel helps keep cooking oil out of our sewer systems, landfills and waterways, preventing costly infrastructure repairs (cooking oil is a feedstock for biodiesel).

- 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.

7. *Biodiesel is saving consumer's 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."

- Murphy Oil said late on Wednesday, July 31, 2013, that its U.S. income of $77.9 million in the 2013 quarter was above the 2012 quarterly income of $73.3 million, primarily due to better results for ethanol production operations and higher sales prices for ethanol Renewable Identification Numbers (RINs) in the current period… Murphy…generates RINs from its vast retail network. Murphy USA operates more than 1,100 Murphy USA and Murphy Express stores in 24 states throughout the U.S.

- HESS GETS BENEFIT FROM RINS: There's a lot of talk about Renewable Identification Numbers, or RINs — biofuel credits used by refiners and other companies to meet RFS mandates — are costing companies money and potentially raising gasoline prices. But at least one oil company is doing well. Hess said yesterday that it is generating more renewable credits than it needs, creating excess RINs that provided it with a $17 million after-tax benefit in the second quarter. Hess also said it could see a third quarter benefit of $35 million to $40 million. Platts: http://bit.ly/12Gly9r

- Spiking fuel prices continue to negatively impact consumers and the economy, throughout the past year, and because of federal fuels policy, retailers have been selling biodiesel blended with petroleum diesel at discounts of up to ten cents per gallon, which at one billion gallons of biodiesel equates to consumer savings of up to $100 million.

8. *API Study on Biofuels is WRONG about biodiesel.*

API's NERA study analyzes two baseline models for biodiesel: one at 700 million gallons; and the second at 1.0 billion gallons. The NERA biodiesel baseline economic runs dramatically under-predict the volume of biodiesel in the marketplace – in doing so – the model predicts a "short" RIN market for biodiesel each year of production after 2012 -- which causes the model to improperly escalate RIN prices and diesel exports in order to comply with the requirements of the program.