



Biodiesel Industry and Policy Overview

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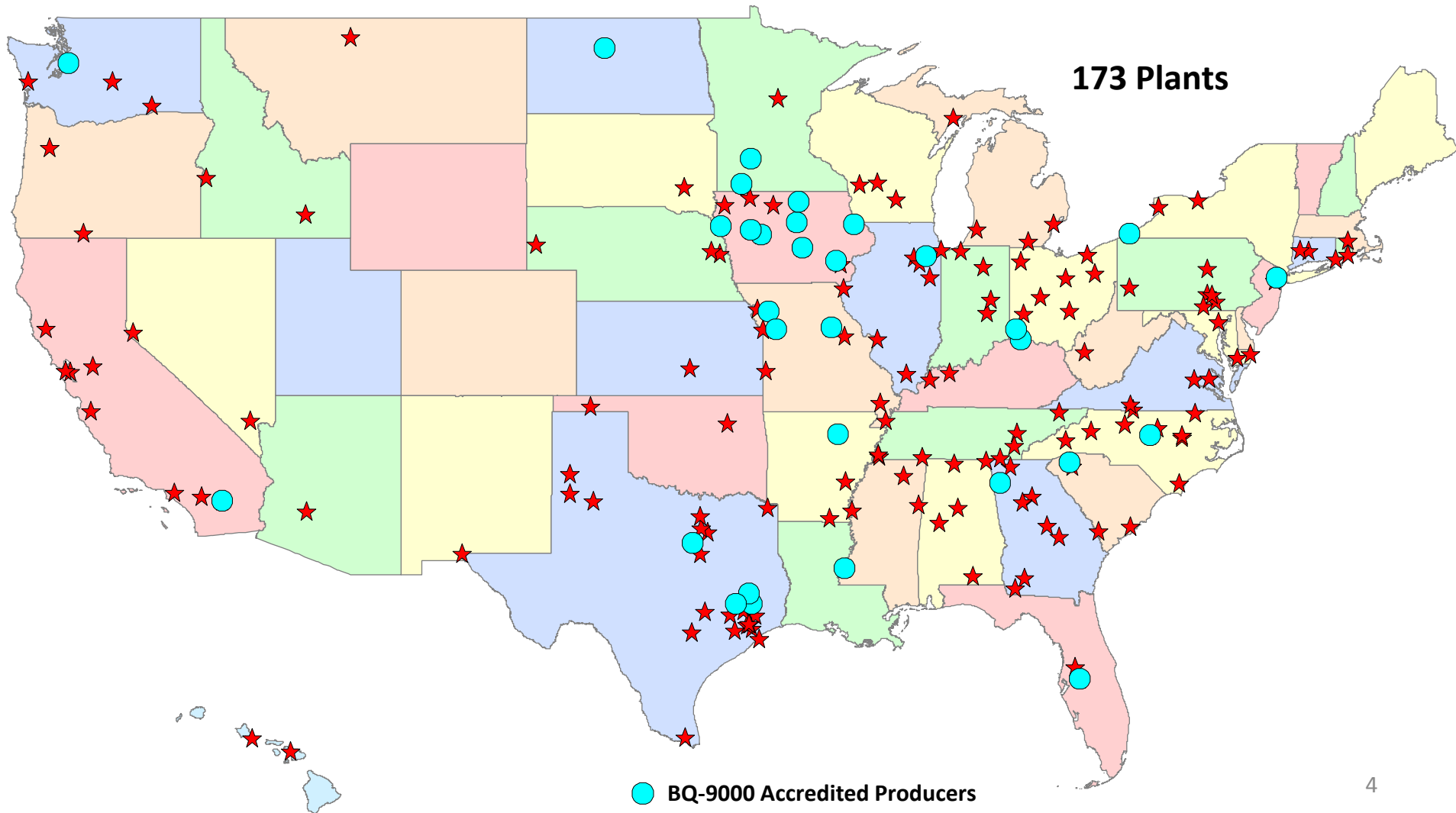
National Biodiesel Board

I. Industry Overview

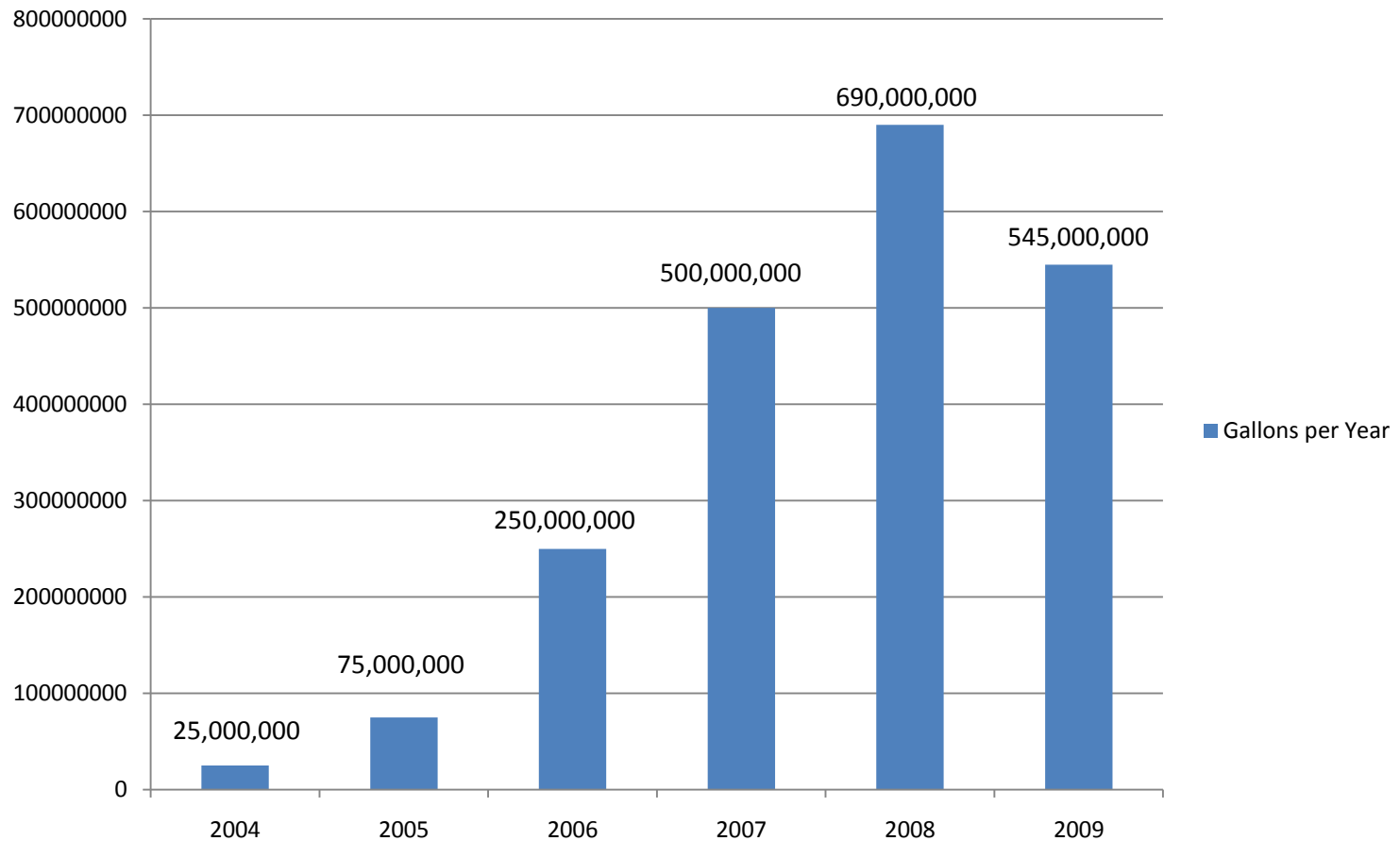
II. Policy Issues

- Biodiesel Tax Incentive
- RFS2 Program

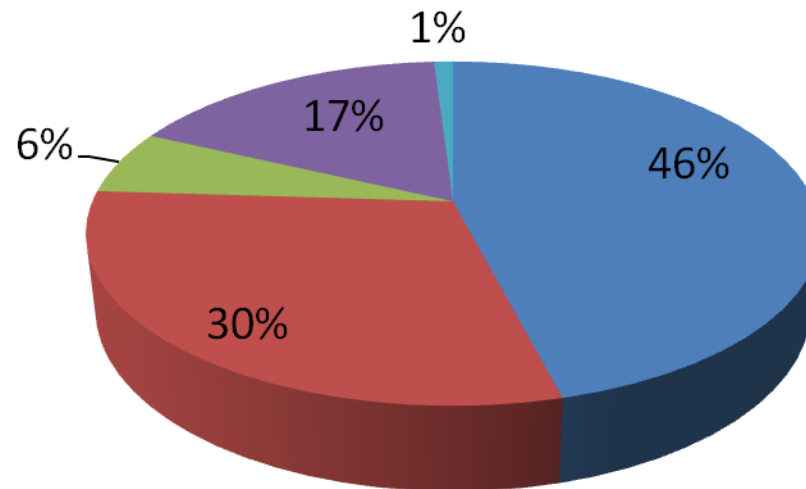
Biodiesel Industry Overview



Estimated US Biodiesel Production by Calendar Year



- Soybean Oil
- Other Feedstock (canola, cottonseed, edible tallow & palm)
- Yellow Grease
- Animal Fats (excluding edible tallow)
- Corn Oil



Biodiesel Tax Incentive

Biodiesel Blenders Excise Tax Credit:

- Biodiesel when blended with diesel fuel and sold is eligible to receive a \$1.00 per gallon credit against excise tax liability. Allows for cash refunds to degree that credit exceeds excise tax liability.
- ✓ P.L. 110-343 provided \$1 for all biodiesel, regardless of feedstock.



Current Law Tax Incentives

- The blenders excise tax credit and income tax credits that comprise the biodiesel tax incentive expired after 12/31/09.
- One of 73 provisions in the IRC that expired after 12/31/09.

Immediate Priority – Retroactive Extension of Biodiesel Tax Incentive

- U.S. House Approved H.R. 4213, Tax Extender Bill, on 12/9/09 by 241-181 margin.
 - Extended 49 of 73 Expiring Tax Provisions for 1 Year, Including the Biodiesel Tax Incentive.

- U.S. Senate Approved H.R. 4213, *the American Workers, State, and Business Relief Act of 2010* by a 62 to 36 margin on 3/10/10.
 - Included broader scope of expiring provisions and included non-tax items such as UI; COBRA; FMAP; Medicare extenders; etc.

House and Senate will need to reconcile differences and produce unified product.

- Exact Process TBD.

Barriers to Passage:

- PAYGO/Offsets
- Fiscal Impact – Non-Offset Spending Items

- Congress will be in session until Memorial Day break, which begins week of 5/31/10.
- Crowded agenda includes, among other things, Financial Services Reform; FY 2011 Budget Matters; Jobs/Economic Packages.



Tax Incentive Moving Forward

NBB Supports Multiple Year Extension of Credit and Changing to Production Excise Tax Credit, Consistent with NBB Resolutions:

- S. 1589 (Cantwell/Grassley) and H.R. 4070 (Pomeroy/Shimkus)

Broad Elements of Proposal:

- Repeal current law Biodiesel Mixture Income Tax Credit and Biodiesel Blenders Excise Tax Credit.
- Enact Biodiesel Production Excise Tax Credit of Equal Value.
- Multiple Year Extension of Reformed Tax Incentive.



Production Excise Tax Credit

Benefits of Reform Proposal:

- Focus incentive on domestic production.
- Administrative/compliance benefits.
- Protects integrity of tax incentive.

RFS2



Year	Volume in billions of gallons	Conventional <u>Biofuels</u> (may include all fuels)	Advanced <u>Biofuels</u>	Cellulosic <u>Biofuels</u>	Biomass-Based <u>Diesel</u>	Undifferentiated Advanced <u>Biofuels</u> (All fuels except conventional)
2006	4.000	4.000				
2007	4.700	4.700				
2008	9.000	9.000				
2009	11.100	10.500	0.600		0.500	0.100
2010	12.950	12.000	0.950	0.100	0.650	0.200
2011	13.950	12.600	1.350	0.250	0.800	0.300
2012	15.200	13.200	2.000	0.500	1.000	0.500
2013	16.550	13.800	2.750	1.000	≥1.000*	0.750
2014	18.150	14.400	3.750	1.750	≥1.000*	1.000
2015	20.500	15.000	5.500	3.000	≥1.000*	1.500
2016	22.250	15.000	7.250	4.250	≥1.000*	2.000
2017	24.000	15.000	9.000	5.500	≥1.000*	2.500
2018	26.000	15.000	11.000	7.000	≥1.000*	3.000
2019	28.000	15.000	13.000	8.500	≥1.000*	3.500
2020	30.000	15.000	15.000	10.500	≥1.000*	3.500
2021	33.000	15.000	18.000	13.500	≥1.000*	3.500
2022	36.000	15.000	21.000	16.000	≥1.000*	4.000

* Administrator determines minimum use allocation for out years

Questions/Discussion