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Administrator Regina A. McCarthy
Environmental Protection Agency
William Jefferson Clinton Federal Building
1200 Pennsylvania Ave., NW
Washington, DC 20460
Submitted via: www.regulations.gov

RE: Docket ID No. EPA-HQ-OAR-2015-0111

Dear Administrator McCarthy:

On behalf of the U.S. Canola Association (USCA), I am writing to urge EPA to support biomass-based diesel volumes of at least 2 billion gallons for 2016 and 2.3 billion gallons for 2017.

The U.S. Canola Association is a non-profit commodity organization whose mission is to increase domestic canola production and promote the establishment and maintenance of conditions favorable to growing, marketing, processing and using U.S. canola. In addition to providing a heart-healthy cooking oil, canola is a feedstock for clean burning domestically produced biodiesel and a source of high-protein meal used as feed and energy for livestock, poultry and fish. Since 1989, the USCA has helped domestic canola grow from virtually zero to nearly 1.5 million acres.

The U.S. biodiesel industry is an important market for canola producers, utilizing over one billion pounds of canola oil in 2014. The use of canola as a feedstock is based on the geographic location of the biodiesel production facilities in regions where canola is grown. Canola provides another feedstock option for biodiesel production that can be locally sourced in regions where other feedstocks are less prevalent or more costly.

Consistent with the intent of the RFS, canola biodiesel provides significant benefits to our national energy security, the environment, and the economy. Canola biodiesel is a domestically produced renewable fuel that displaces petroleum, reduces emissions and improves air quality, and provides jobs and additional economic benefits, especially in rural communities.

Furthermore, for canola and other farmers, a viable biodiesel industry helps maintain a link between vegetable oil and energy values, creates a floor for commodity values, and serves as a hedge against energy inflation. Continued growth in the biodiesel industry is needed to realize and optimize these benefits, and that growth can be prompted by increasing the RFS volumes for biomass-based diesel beyond the levels in the Proposed Rule.

While it's difficult to isolate the net impact of biofuels on the agriculture sector, according to the USDA Economic Research Service's Income Statement for the U.S. Farm Sector, from 2009 through 2013 – a period in which biofuel and biodiesel production increased - the U.S. farm sector experienced an increase in cash receipts for both crops and livestock, farm related income, gross cash income, and net cash income. Net farm income during this period more than doubled. In addition, direct government payments to the farm sector decreased. There are greater factors beyond biofuels that contributed to this success, but expanding biodiesel and other biofuel production has had a positive impact on agricultural output and jobs, and a positive net impact on the agriculture sector.

Well beyond the canola and agricultural sector, biodiesel provides numerous benefits for consumers and society as a whole, including:

- a more diversified energy market
- increased *domestic* energy production
- significant reductions in greenhouse gas emissions resulting in improved air quality
- new jobs and economic development, particularly in rural America

As you know, biodiesel is the most prevalent advanced biofuel currently produced in the United States and the industry has met or exceeded the RFS biomass-based diesel volume requirements each and every year they have been in place.

The EPA itself has determined that biodiesel reduces lifecycle greenhouse gas emissions by 57 percent to 86 percent compared to petroleum diesel. Substituting higher amounts of biodiesel for traditional diesel fuel is a simple, effective way to immediately reduce diesel emissions. Since biodiesel provides a greenhouse gas benefit compared to the petroleum-based diesel it is replacing, increasing its use will contribute to reduced climate change impacts.

Biodiesel has and will continue to create and sustain jobs in the United States, including many in rural America. An economic study conducted for the National Biodiesel Board estimates that the biodiesel industry, at 1.7 billion gallons of production, supports more than 62,000 jobs, \$2.6 billion in wages, and \$16.8 billion in overall economic impact. The industry's economic impact is poised to grow significantly with continued production increases. The industry supports jobs in a variety of sectors, from manufacturing to transportation, agriculture and service.

When determining the appropriate volume standards for biomass-based diesel, the EPA can and should mitigate the potential for increased imports of sugarcane ethanol and account for the likelihood of increased imports of biodiesel from Argentina.

EPA should increase the biomass-based diesel volumes relative to the total Advanced Biofuels volumes in order to promote the use of domestically produced biodiesel over imported advanced biofuels such as sugarcane ethanol. The intent of Congress when they established and expanded the RFS program was clearly to increase and promote domestic energy production and U.S. energy independence. This is reflected by the title of the 2007 law – the Energy Independence and Security Act (EISA) - and is supported by numerous statements by legislators during consideration of the bill.

Biomass-based diesel and imported sugarcane ethanol are the two primary, and practically the only, fuels available to fulfill the Advanced Biofuels requirements. Since EPA contends that there is an ethanol “blend wall,” increasing the biomass-based diesel volumes would help alleviate this so-called “blend wall” issue by reducing the imports of sugarcane ethanol. In addition, on an equivalency or RIN basis, biomass-based diesel counts as 1.5 gallons for each 1.0 gallon of sugarcane ethanol.

Wherever possible, EPA should seek to promote domestic biofuel sources to fulfill the RFS volume requirements. However, when determining the appropriate volume standards for biomass-based diesel, the EPA must also account for the likelihood of increased imports of biodiesel from Argentina due to some factors beyond the RFS volume requirements.

Prior to the EU imposing anti-dumping tariffs, Argentina was exporting approximately 400 million gallons to that market and they are seeking new markets for those volumes.¹ The EPA has approved a streamlined process for Argentine biodiesel to comply with the RFS and should expect Argentine imports into the U.S. to increase significantly in future years.

Argentina has an estimated 5.2 billion liters (1.37 billion gallons) in total production capacity for biodiesel, and in past years exports have averaged 70% percent of Argentina’s total biodiesel production.² In 2015 and 2016 local exporters will focus on the U.S. biodiesel market, which currently presents the best export market potential.³ Members of CARBIO, the trade association whose petition for streamlined RFS compliance was approved by EPA this year, make up the vast majority of Argentinian biodiesel production, and almost 720 million gallons in capacity is already registered with EPA. CARBIO members signed onto the survey plan approved by EPA, and thus their imports into the United States are likely to increase.

AS EPA is aware, the European Union placed anti-dumping measures on Argentina in 2013, which restricted biodiesel imports into Europe. Prior to the European anti-dumping subsidies, Argentina was the world’s largest biodiesel exporter, with 90% of its exports sold in the European market. The same dumping activity from Argentina may now occur in the United

¹ USDA Foreign Agricultural Service. July 8, 2011. Argentina Biofuels Annual 2011, Global Agricultural Information Network Report. Available at: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual_Buenos%20Aires_Argentina_7-8-2011.pdf

² USDA Foreign Agricultural Service. July 1, 2015. Argentina Biofuels Annual 2011, Global Agricultural Information Network Report. Available at: http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Biofuels%20Annual_Buenos%20Aires_Argentina_7-1-2015.pdf

³ Ibid

States as demand for domestic use of biodiesel in Argentina is not expected to make up for the loss in exports. The Argentinian government also artificially subsidizes its biodiesel production and exports through a Differential Export Tax (DET) program.

While this Proposed Rule is a step in the right direction for biomass-based diesel, it does not fully capitalize on biodiesel's benefits and potential for growth. The U.S. biodiesel industry has the capacity and has demonstrated its ability to increase production above the levels in the Proposed Rule, particularly when you consider U.S. production capacity, feedstock availability, and the potential for increased imports of biodiesel qualifying for the RFS.

Given the many benefits that it provides, EPA should reconsider the biodiesel standards in the Proposed Rule and finalize stronger standards, particularly for 2016 and 2017. The biodiesel industry has previously requested volumes of 2.4 billion gallons in 2016 and 2.7 billion gallons in 2017. While those volumes are readily achievable and sustainable, particularly with rising imports, at a minimum EPA should set the standards at not less than 2 billion gallons for 2016 and 2.3 billion gallons for 2017.

Biodiesel is an American success story, and we strongly encourage you to continue the momentum by including these modest volume increases for Biomass-based diesel in the Final Rule.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeff Scott', is written over a faint dotted line.

Jeff Scott, President
U.S. Canola Association