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Environmental Protection Agency
William Jefferson Clinton Federal Building
1200 Pennsylvania Ave., NW
Washington, DC 20460
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RE: Docket No. EPA-HQ-OAR-2019-0136-0352

Renewable Fuel Standard Program: Standards for 2020 and Biomass-Based Diesel Volume for 2021, Supplemental Proposal

The U.S. Canola Association (USCA) appreciates this opportunity to comment on the supplemental proposal to the Renewable Fuel Standard (RFS) Program Standards for 2020 and Biomass-Based Diesel Volume for 2021.

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. The leading canola producing states in the U.S. include North Dakota, Oklahoma, Montana, Washington, Minnesota, Kansas, and Idaho. Canola has multiple uses and markets and is one of numerous feedstocks used to produce clean burning domestic biomass-based diesel.

The U.S. biodiesel industry is an important market for canola producers, utilizing over 1.4 billion pounds of canola oil in 2017 and 1.2 billion pounds in 2018. The use of canola as a feedstock is based on the geographic location of the biomass-based diesel production facilities in regions where canola is grown. Canola oil is the feedstock for approximately 10-15 percent of the annual biomass-based diesel production, providing a valuable market for canola oil not utilized for food production.

Consistent with the intent of the RFS, canola biomass-based diesel provides significant benefits to our national energy security, the environment, and the economy. Canola biomass-based diesel contributes to the expansion and diversification of U.S. fuel supplies and energy production, reduces emissions and improves air quality, and provides jobs and additional economic benefits, especially in rural communities.

The USCA supports the need to restore the integrity of the RFS by accurately accounting for volumes lost as a result of Small Refinery Exemptions (SREs) granted by EPA. Unfortunately, the supplemental proposal would not accurately account for SREs and leaves significant uncertainty for biodiesel producers and the farmers that supply them. The supplemental proposal

does not provide for growth in biomass-based diesel or Advanced Biofuel volumes and makes no commitment to recover gallons lost to SREs after 2020.

Instead of recovering the gallons exempted through SREs, EPA proposes to recover only those gallons previously recommended for exemption by the U.S. Department of Energy (DoE). This is an uncertain mechanism that potentially recovers only a portion of the gallons waived through SREs. This lack of certainty undermines efforts toward market recovery. This proposed mechanism leaves significant uncertainty since EPA is under no obligation to follow the DoE recommendations, EPA has not followed DoE recommendations in the past, and there is no guarantee that the recommendations would be followed in the future or that the full 15 billion gallons of RFS volumes would be fulfilled.

From 2015 through 2017, the average amount of SREs granted by EPA exceeded the amount recommended by DoE by 384 million Renewable Identification Numbers (RINs). From 2016-2018, the average amount of SREs granted by EPA exceeded the amount recommended by DoE by 580 million RINs.

EPA should use a more direct and straightforward approach to accounting for the SREs. If the intention is to fully account for SREs and fulfill the full 15 billion gallons of RFS volumes, the Final Rule should do that clearly and directly. We urge EPA to provide accountability for SREs based on a rolling average of the *actual* volumes exempted by the EPA during the three most recently completed compliance years. This simple fix will provide market and regulatory certainty necessary for biomass-based diesel producers and canola farmers.

The EPA must address the volumes waived as a result of the SREs. According to the DoE Energy Information Agency (EIA), the SRE waivers effectively reduced the amount of biofuel required to enter the nation's fuel supply by exempting 7.4% of the total RFS volume mandate for the 2018 compliance year, or about 1.43 billion gallons. The waivers recently announced for the 2018 RFS compliance year combined with those issued for 2016 and 2017 brings the total number to more than 80 retroactive waivers. The waivers most heavily impact biomass-based diesel volumes and results in billions of dollars in economic harm to the U.S. biomass-based diesel industry, including canola farmers.

According to a March 14, 2019 analysis from the University of Illinois Department of Agriculture and Consumer Economics, the number of SREs granted by EPA since 2016 have resulted in hundreds of millions of gallons of lost biomass-based diesel demand. The analysis estimates that small refinery exemptions lowered demand for biomass-based diesel by over 900 million gallons in 2018 alone. The resulting economic harm is estimated at \$2 billion annually to the U.S. biomass-based diesel industry alone. If continued, the damage for biomass-based diesel could reach \$7.7 billion.

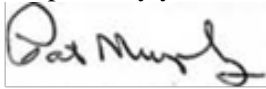
The USCA was disappointed that the initial EPA Proposal for RFS Standards for 2020 and Biomass-Based Diesel Volume for 2021 provided zero growth in biomass-based diesel volumes and virtually no growth in total Advanced Biofuels. In addition, EPA failed to account for the significant gallons of biomass-based diesel demand lost due to SREs, which combined with the stagnant proposed volumes, results in an overall reduction for biomass-based diesel producers. The EPA proposals also fail to replace the 500 million gallons that the courts ruled were improperly waived in 2016.

The jobs and economic impact of the biomass-based diesel industry should also not be overlooked. The economic benefits contributed by the sector to the U.S. economy are

significant, even under the weight of continuing low commodity prices. The biomass-based diesel industry currently supports over 65,000 U.S. jobs throughout the supply chain, \$2.5 billion in wages paid, and \$17 billion in economic activity to the U.S. economy.

Again, the supplemental proposal would not accurately account for SREs and leaves significant uncertainty for biomass-based diesel producers and canola farmers. We urge EPA to provide accountability for SREs based on the actual volumes exempted. We urge EPA to address our concerns and provide greater certainty for biomass-based diesel producers and farmers when the Supplemental Notice is finalized.

Respectfully yours,

A handwritten signature in black ink that reads "Pat Murphy". The signature is written in a cursive style and is contained within a rectangular box.

Pat Murphy
President