

A Sensible Approach to Biodiesel for the United States

Not all renewable fuels are the same. Policy makers must be able to distinguish between ethanol, which is a substitute for gasoline, and diesel fuel substitutes such as renewable diesel and biodiesel.

The American Trucking Associations (ATA) supports the voluntary use of renewable diesel that meets the ASTM D975 standard for on-road diesel fuel. Renewable diesel is often referred to as second generation biodiesel and is indistinguishable from petroleum-derived diesel. Subject to the following caveats, ATA also supports the voluntary use of biodiesel in blends up to five percent as a means to help extend the nation's supply of diesel fuel:

- Any biodiesel used as blending stock must be tested and certified to be in compliance with the ASTM D6751 standard and the resulting blend must meet the ASTM D975 standard.
- Biodiesel should not be used in blends exceeding five percent for on-road uses.
- Biodiesel should not be mandated for on-road use by any state or municipality.

Ensuring Biodiesel Quality is Critical. Biodiesel testing and sampling conducted by the National Renewable Energy Laboratory (NREL) has found an unacceptably high frequency of poor quality biodiesel in the U.S. market. This poor quality fuel has found its way into the on-road diesel supply and has caused trucks to malfunction and become stranded. These NREL survey results demonstrate the need to better police biodiesel quality to ensure that all fuel used in on-road engines complies with the appropriate ASTM specifications and does not cause operational difficulties for over the road trucks. To address this unacceptable situation, Congress should require all biodiesel to be tested and certified to be in compliance with the ASTM D6751 standard and that the biodiesel or renewable diesel blend offered for sale meets ASTM D975.

Biodiesel Blends Should be Limited to 5% for On-Road Use. Low percentage blends of biodiesel that meet the ASTM specifications should perform comparably to petroleum-based diesel fuel. However, biodiesel blends exceeding 5% present operational challenges for the trucking industry.

- High percentage blends of biodiesel could create difficulties with manufacturer warranty claims – several heavy-duty truck engine manufacturers do not recommend biodiesel in blends exceeding 5%, and those that permit the use of higher blends have not done so for their entire line of trucks.
- High percentage blends of biodiesel gel at a higher temperature than petroleum-based diesel and may cause trucks to become stranded in cold weather.
- High percentage blends of biodiesel have a lower energy value, requiring more fuel to be purchased to perform an equivalent amount of work.
- Biodiesel acts like a solvent and will dislodge sediment that accumulates in truck fuel systems, requiring a fuel filter change in advance of regularly scheduled maintenance.

Congress should distinguish between off-road diesel fuel, which is used in vehicles that do not travel far from their base of operations, and on-road diesel fuel, which is used by the commercial trucking industry for vehicles that travel hundreds of miles away from their base of operations. Cold weather performance and unscheduled fuel filter changes are manageable issues for most off-road engine applications; while over the road trucks using on-road diesel fuel cannot afford to address the operational challenges presented by biodiesel blends that exceed 5%.

High Percentage Biodiesel Blends are Not Necessary to Support the Biodiesel Industry. Last year the trucking industry consumed more than 39 *billion* gallons of diesel fuel. Off-road sources consumed an additional several billion gallons of diesel fuel. In 2008, the biodiesel industry produced more than 500 *million* gallons (less than 2% of the total on-road diesel fuel used in the U.S.). The Energy Independence and Security Act of 2007 increased the size of the Renewable Fuel Standard (RFS) and created a specific biodiesel mandate, which requires the annual consumption of 1 billion gallons of biodiesel, by 2012.¹ One billion gallons of biodiesel represents 2½ % of the diesel fuel consumed by the U.S. trucking industry. As such, there is no reason to allow blends of biodiesel that exceed 5%. A federal 5% cap on biodiesel blends will protect the trucking industry from operational problems and will ensure the success of the biodiesel industry.

State Biodiesel Mandates Are Not Necessary and Should be Prohibited.

ATA remains opposed to state biodiesel mandates, which harm the trucking industry. ATA believes that Congress should prohibit states from enacting boutique biodiesel mandates. The RFS and existing federal tax incentives obviate the need for state boutique biodiesel mandates, which are not necessary to ensure that there is a market for biodiesel. However, state boutique fuel mandates will harm the trucking industry.

- State biodiesel mandates distort the free market and encourage biodiesel producers to charge more for their mandated product.
- Boutique fuel mandates preclude fuel fungibility between jurisdictions, which exacerbate temporary fuel shortages and results in dramatic price spikes.
- Boutique fuels create artificial price differentials and an uneven playing field for the trucking industry.
- Boutique fuels create incentives for locally-based trucking companies to refuel outside the local jurisdiction, which results in more vehicle miles traveled, undermining environmental benefits and increasing traffic and safety concerns.

¹ Biodiesel consumption is predicted to increase to 1.2 billion gallons by 2030, or approximately 1.5% of total diesel consumption. Consumption of renewable diesel, made from cellulosic materials, is expected to substantially exceed biodiesel consumption by 2030. Source: U.S. Department of Energy, Energy Information Administration http://tonto.eia.doe.gov/energy_in_brief/biofuels_use.cfm (August 27, 2008).

Tax Subsidies for Biodiesel. Any fuel tax credit must be structured in a manner that does not reduce the funds flowing into the highway trust fund. The act of blending biodiesel into petroleum diesel is currently eligible for a \$1 per gallon federal tax credit (from general revenues). This tax credit is critical to ensure that the price of biodiesel is closer to the price of petroleum-derived diesel (although even with the tax credit, biodiesel remains more expensive than petroleum-derived diesel fuel). The \$1 tax credit is due to expire at the end of 2009 and Congress should extend this credit to ensure that consumers are not economically disadvantaged by using biodiesel. Last year, much of the biodiesel produced in the United States received the \$1 credit and was subsequently exported to Europe. As such, the U.S. taxpayer has been subsidizing European consumption of biodiesel. Congress should discontinue this practice. Under the RFS, U.S. consumers must use increasing amounts of biodiesel. Eliminating the subsidy for exported biodiesel would increase the supply of biodiesel that remains in the United States, which would reduce the price consumers must pay for biodiesel mandated under the RFS.

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Gasoline moves people, but diesel moves the economy. It is critically important for Congress to protect diesel fuel consumers as we seek to expand our supply of diesel fuel substitutes.