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Testimony of Manning Feraci
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I appreciate having the opportunity to testify today on behalf of the National Biodiesel Board, the national trade association for the U.S. biodiesel industry.

Our membership produces a high-quality, low carbon renewable diesel replacement fuel that is readily accepted in the marketplace. As EPA moves forward with the RFS-2 rulemaking, it is important to remember that the U.S. biodiesel industry is the only game in town when it comes to commercial scale production of Biomass-based Diesel as defined in RFS-2.

Congress clearly recognized the value of displacing petroleum diesel fuel with renewable fuel when it passed the Energy Independence and Security Act of 2007. RFS-2 for the first time requires a renewable component in U.S. diesel fuel, and provides a readily attainable schedule for the use of Biomass-based Diesel that increases from 500 million gallons in 2009 to 1 billion gallons in 2012. To qualify for the program, renewable fuel must reduce greenhouse gas emissions by 50% compared to the conventional diesel fuel it is replacing, and the Administrator has the authority to reduce the greenhouse gas emission target to 40%.

We recognize that statute requires the EPA to consider significant indirect emissions when calculating a renewable fuel's emission profile. This does not require the EPA to rely on faulty data and to fabricate unrealistic scenarios that punish the U.S. biodiesel industry for wholly unrelated land use decisions in South America. Make no doubt about it - this is what the EPA's proposed rule does. Biodiesel produced from domestically produced vegetable oils are disqualified from the Biomass-based Diesel program, making it all but impossible to meet the volume goals established by statute.

Let me provide a few examples of the glaring deficiencies in this proposed rule. As a general principle, the EPA assumes that increased U.S. biodiesel production will lead to land conversion in South America. If this basic assumption is correct, Brazilian soybean acreage would have increased from 2004 through 2008 – a time period that saw U.S. biodiesel production increase from 25 million gallons to 690 million gallons.

In fact, acreage in Brazil dedicated to soybean cultivation actually *decreased* from 2004 through 2008. The proposed rule's inability to accurately backcast recent, concrete experience not only draws into question the legitimacy of EPA's methodology, it also clearly highlights that there are factors unrelated to U.S. biodiesel production, such as logging, cattle ranching, and subsistence farming that are actually driving land use decisions in South America.

The EPA's greenhouse gas emission methodology also contains a huge error pertaining to nitrogen emissions. As any farmer can tell you, soybeans add nitrogen to the soil. The Intergovernmental Panel on Climate Change – which I might add won a Nobel Prize for its work in this area – in its 2006 Guidelines for National Greenhouse Gas Inventories determined that nitrogen fixed in the soil by soybeans should not be considered greenhouse gas emissions. However, the EPA's methodology relies on outdated data that does not incorporate the IPCC's updated nitrogen findings, and thus inaccurately attributes excess nitrogen emissions to soybean cultivation. This error alone reduces the greenhouse gas emission score for soy-based biodiesel by more than 20 points.

Because the proposed rule relies on dubious land use assumptions and inaccurate data, the EPA's proposed rule restricts feedstock for low-carbon diesel replacement fuel to only animal fats and restaurant grease. Vegetable oils account for more than sixty percent of the feedstock that is available to meet the RFS-2 Biomass-based Diesel targets, and the RFS-2 volume goals simply cannot be met if vegetable oils are disqualified from the program. Even under the so-called pathway for biodiesel that is briefly outlined in the proposed rule, there will not be enough feedstock available to meet the RFS-2 volume goals for Biomass-based Diesel. This outcome is not consistent with either sound science or sound energy policy.

The U.S. biodiesel industry wants the RFS-2 program to succeed, and the EPA has ample authority under statute to implement a workable program. The proposed rule does not achieve this goal, and it is imperative that the EPA address this proposal's glaring shortcomings in the rulemaking process.