

Iowa Renewable



Fuels Association

October 28, 2015

The Honorable Dave Loebsack
1527 Longworth House Office Building
Washington, DC 20515

Dear Representative Loebsack:

As the largest state trade association representing Iowa's biodiesel and ethanol producers, the Iowa Renewable Fuels Association (IRFA) extends a sincere thank you for your consistent, unwavering support of the biodiesel tax incentive.

We greatly appreciate your leadership in assuring the passage of this important piece of legislation in past years, and urge you to do all you can to push for swift passage of a tax extenders package that includes an amendment to shift the biodiesel tax incentive to a producer's credit, as was unanimously passed out of the Senate Finance Committee in the Tax Relief Extension Act of 2015 (S.1946) on July 21, 2015.

The biodiesel tax incentive is a proven job creator that is critically important to the U.S. biodiesel industry, and specifically to Iowa biodiesel producers. However, the \$1.00 per gallon incentive lapsed on January 1, 2015, marking the fourth time in six years that the incentive has expired—even as favorable tax incentives for petroleum have continued uninterrupted for more than a century. This has created significant disruption and uncertainty in the industry. It is imperative that Congress end this piecemeal tax policy for biodiesel by passing a long-term tax incentive that paves the way for growth.

S. 1946 would extend the incentive through 2016, and importantly it also includes a common-sense reform long advocated by the U.S. biodiesel industry. As you know, U.S. tax dollars and energy policy should be aimed at incentivizing domestic production, not foreign production. Under the existing structure of the credit, biodiesel produced overseas can qualify for the tax incentive if it is blended in the U.S. Subsidizing foreign manufacturing is obviously not the intent of Congress, and we should close this loophole by reforming the credit as a domestic production credit, consistent with S. 1946. According to the Congressional Budget Office, this change would save U.S. taxpayers some \$90 million per year. It will also streamline administration of the incentive by the IRS to prevent waste, fraud and abuse.

Furthermore, the biodiesel industry has significant underutilized capacity, producing nearly 1.4 billion gallons nationwide in 2014 (with 227 million gallons produced here in Iowa), out of more than 3.1 billion gallons of installed annual capacity. Despite this, the U.S. biodiesel industry supported more than 62,200 jobs, including about 4,300 Iowa jobs, while reducing America's dependence on imported petroleum and making us less vulnerable to global petroleum markets. Biodiesel use reduced air pollution and cut greenhouse gas emissions, all while generating about \$286 million in Iowa household earnings and contributing more than \$471 million to Iowa's GDP, according to a recent economic study by ABF Economics.

The biodiesel industry's recent progress is to be applauded, as it has always under promised and over delivered, but it should not cloud the fact that biodiesel remains a young and vulnerable industry. As the petroleum industry continues to benefit from tax advantages it has enjoyed continuously for more than a century, the biodiesel industry needs policy certainty to continue to spur investment and expand the immense benefits of producing biodiesel. Without the extension of this pivotal incentive, U.S. and Iowa biodiesel production could stagnate, and the RFS volumes will most likely be the ceiling for U.S. biodiesel production and use, not the floor.

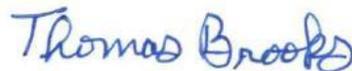
Now, as much as ever, the biodiesel industry needs stability and a level energy playing field to continue growing. We urge you to do all you can to push for swift passage of a tax extenders package, as adopted by the Senate Finance Committee under S. 1946, to ensure growth and certainty for this young industry.

Thank you in advance for your consideration and for your strong, consistent support of the Iowa and U.S. biodiesel industries.

Sincerely,



Steve Nogel
Ag Processing, Inc. (AGP)



Thomas Brooks
Western Dubuque Biodiesel (WDB)



Brad Albin
Renewable Energy Group (REG)



Denny Mauser
Western Iowa Energy (WIE)