

Message

From: Kurt Kovarik [kkovarik@biodiesel.org]
Sent: 10/31/2018 6:13:14 PM
To: Gunasekara, Mandy [Gunasekara.Mandy@epa.gov]
Subject: Follow-up on Reset volumes

Hi Mandy,

Thanks again for your time a few weeks ago. I wanted to follow-up on one point that we discussed – the reset rule and what NBB would recommend for volumes. We’ve given it some thought and are confident that the industry could meet or exceed annual increases equal to what EPA is proposing in this year’s rule for 2020 – an annual increase of 330 million gallons of biomass-based diesel. That is what we would propose then for 2021 and 2020.

In addition, to address EPA’s ongoing concern that there be “headroom” in the D5 category to allow other advanced fuels to compete, we’d recommend raising the total advanced number as well. Given BBD’s historical ability to produce beyond the D4 volume, we’d propose raising the total advanced number sufficient to provide room for other advanced biofuels. Our proposed volumes for advanced would ensure that BBD never exceeds 90 percent of the total advanced category.

	2019	2020	2021	2022
Biomass-based Diesel (D4)	2.1	2.43	2.76	3.09
Advanced Biofuel	4.88	5.35	5.91	6.48

Two additional data points that I think EPA should be thinking of while approaching the “reset” volumes:

- RVP for E15 – While this policy outcome doesn’t directly impact the BBD market, it does have an impact on our volumes. As you know, the program is nested. BBD gallons can satisfy D4, D5 and even D6 obligations. Presuming the blend wall is reached short of the 15 billion gallon requirement, those additional RVO’s have been met with BBD (D4) RINS. So, while it wasn’t necessarily our gallon to fill, BBD filled it because other gallons did not. With year-round E15 approved, one would assume that the entire D6 category will be filled by conventional ethanol, which is what the law envisioned. However, in doing so, it means that hundreds of millions of gallons of BBD will no longer be needed for the conventional bucket, and will now need a “home” in the D4 or D5 category, which would argue for higher volumes for both.
- IMO 2020 – On January 1, 2020, new sulfur rules for maritime use will go into effect. This will impact about a 3.5 - 4 million barrels per day. Vessels will have the option of continuing to use bunker fuel and install scrubbers. Some of the new demand could also be met with upgrades to existing refineries. However, industry estimates are indicating that an estimated 2 million barrels per day of additional low sulfur compliant fuel will be necessary. While BBD in marine use does not qualify for the RFS, biodiesel is a low sulfur fuel and should be viewed as a low sulfur fuel extender. Additional gallons of biodiesel will allow for additional gallons of low-sulfur diesel to make their way to the maritime market. Higher RVO’s will ensure that additional low-sulfur biodiesel is produced, extending the market for clean fuels at a time when the demand will increase due to IMO 2020.

Please let me know if you have any questions or need anything further.

Best regards,

Kurt

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