BIODIESEL BLENDER’S TAX CREDIT

The Petroleum Marketers Association of America’s (PMAA) member companies blend biodiesel into on-road diesel and home heating oil to help facilitate the renewable fuel blending requirements established under the Renewable Fuel Standard (RFS). The biodiesel tax credit is also vital for the U.S. heating oil industry to expand Bioheat® as well as transition towards ultra-low sulfur heating oil (ULSHO) component in our nation’s heating oil supply which will strengthen our domestic energy and environmental security.

BIODIESEL TAX EXTENDERS LEGISLATION

In recent years, legislation was introduced to replace the $1-per-gallon biodiesel blender’s tax credit with a new biodiesel production tax credit. PMAA opposes moving the blender’s credit to the production level because it would effectively kill any below the rack biodiesel blending and subsequent savings to consumers. PMAA member companies have made significant investments to blend biodiesel which has encouraged growth in biodiesel production and denying the credit to blenders cannot be justified. Leaving the biodiesel tax credit at the blender level will ensure that the fuel remains competitive in the marketplace.

Furthermore, the policy of limiting the credit to producers is contrary to the original intent of offering a biodiesel tax credit to make the fuel competitive with conventional diesel, and thus, encourage domestic consumption of biodiesel by U.S. consumers. Petroleum marketers have legitimate concerns that much of the tax credit will be pocketed by producers and not passed on to marketers and consumers. In the current environment where biodiesel is not competitive with conventional diesel without the tax credit, it is essential that the $1-per-gallon tax credit be passed on to the consumer.

Fortunately, in December 2015, Congress passed a tax extenders package that would revive over 50 expired tax incentives through 2016 which includes the $1 per-gallon biodiesel blender’s tax credit and a 30 percent investment tax credit for alternative fuel pumps. The extension was critical and maintaining the credit at the blender level was a huge victory for petroleum marketers because there was a legislative push to move the biodiesel blender’s credit to the production level. PMAA was concerned with limited access to supply, blending logistics in the tax and dyed system and we were concerned that the credit would be passed on to marketers if moved to a production credit. PMAA actively lobbied Congress on this, particularly on behalf of heating oil dealers and their consumers who almost certainly would have experienced an increase in the price of heating oil.

BIODIESEL BLENDER’S TAX CREDIT AND HEATING OIL

ASTM International released new performance specifications for blends of 6-to-20 percent biodiesel with heating oil. PMAA endorsed the new ASTM specifications for heating oil blended with biodiesel, known as Bioheat® which lowers CO2 and other emissions. Furthermore, ULSHO blended with 12 percent biodiesel is cleaner than natural gas. Because of biodiesel’s high lubricity, it is needed in ULSD since lubricity is lost when removing the sulfur from traditional diesel fuel. Moreover, B100 reduces the carbon footprint of Bioheat® up to 80 percent

May 2016
compared to traditional fuel oil. PMAA supports the biodiesel blender’s tax credit because it is needed to ensure biodiesel remains competitive in the heating fuels marketplace.

“The Ask”

PMAA urges Congress to oppose the biodiesel production tax credit bill that was re-introduced last week by Rep. Kristi Noem (R-SD), the “Biodiesel Tax Incentive Reform and Extension Act of 2016” which would move the credit to the production level.

PMAA STAFF CONTACTS: Sherri Stone, sstone@pmaa.org
Bradley Norman, bnorman@pmaa.org