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**Historic 5-year extension of biodiesel tax credit signed into law**By [Ron Kotrba](#) | December 20, 2019

The biodiesel industry, along with its congressional champions, trade association leaders and lobbyists, achieved a monumental milestone Dec. 20 when President Trump signed into law a new budget deal that includes an historic five-year extension of the \$1 per gallon biodiesel blenders tax credit.

On Dec. 17, the House approved two spending bills totaling \$1.4 trillion, one of which passed in a 297-to-120 vote and included the five-year extension of the biodiesel tax credit. On Dec. 19, the measure passed the Senate 71 to 23.

The budget deal, signed into law just hours before the deadline to avoid a government



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shutdown, reinstates the important blenders tax credit for biodiesel and renewable diesel retroactively from its expiry on Jan. 1, 2018, through Dec. 31, 2022.

"The hard work during the past 24 months and the passage of the biodiesel tax credit have given the industry reason to believe that advanced biofuels like biodiesel and sustainable aviation fuels will be a meaningful part of transportation fuels moving forward," Larry Schafer, co-founder and principal at lobbying firm Playmaker Strategies, told *Biodiesel Magazine*. "I compliment the leadership in Congress and at the White House for providing a stable framework for this important part of our international fuels program."

Never in its 15-year history has the biodiesel tax credit been given such a long duration.

The incentive first went into effect in 2005 as a result of its inclusion in the American JOBS Creation Act of 2004 and, through a series of subsequent renewals, has never achieved extensions of more than two years forward, backward, or a combination thereof (as in 2015-'16). When first passed, the incentive provided a full dollar for biodiesel made from virgin oils or animal fats, and only half that for biodiesel made from recycled feedstocks such as used cooking oil. This was modified a few years after its passage.

The first installment of the tax credit was valid from 2005 through 2006. In August 2005, however, well before its first sunset date of Dec. 31, 2006, the Energy Policy Act of 2005 extended the biodiesel tax credit through 2008. EPLA 2005 also amended the incentive to allow renewable diesel to qualify. EPLA 2005 was also extremely important because it established the first Renewable Fuel Standard program in the U.S.

In 2008, the National Biodiesel Board, under the leadership of its former CEO Joe Jobe, was successful in lobbying Congress to extend the credit and allow recycled feedstock to qualify for the full dollar. In that same deal, Congress also closed the splash-and-dash loophole that was fleecing taxpayers. Ships full of biodiesel made abroad would dock in the U.S., splash a drop of diesel fuel into the load to claim the full credit, and undock for sale and distribution in other countries. At the same time, Congress excluded coprocessed renewable diesel from qualifying for the incentive. Coprocessing is a term used when petroleum companies blend fats

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and oils into their existing crude oil refinery complexes. Their claim on the tax credit ended after 2008.

The five-year reinstatement of the biodiesel tax credit Dec. 20 will provide a much-needed boost for the industry. Just shy of a two-year expiration, the prolonged lapse has had a devastating effect on American biodiesel manufacturers, particularly since it has overlapped with the U.S. EPA's high volume of small refinery exemptions (SREs) after President Trump took office. Many facilities, such as Hero BX, had idled production, cut output significantly and halted expansions, retrofits and new investment projects.

Hero BX owns and operates several biodiesel plants, including its 50 MMgy flagship facility in Erie, Pennsylvania; its second biodiesel manufacturing site in Moundville, Alabama, scaled at 20 MMgy; and its more recent acquisitions of a 10 MMgy plant in Clinton, Iowa; and a 20 MMgy expansion and retrofit project in South Roxana, Illinois.

"The past two years have been a roller coaster for us," said Chris Peterson, president of Hero BX. "We made a couple acquisitions with the Clinton and South Roxana plants, as well as established a new toll relationship with the great folks at Iowa Renewable Energy. Then as the proverbial car got to the top of the hill in 2018, we raced to the bottom of the trough as the continued lapse of the credit coupled with the impacts of many new SREs eroded margins and demand to the point of producers and blenders having to subsidize volumes to make them move."

As a result, Peterson said Hero BX throttled back production at its plants in Pennsylvania, Alabama, and in Iowa through its tolling arrangement.

"We slowed the retrofitting at the Clinton plant and stopped the design and construction in South Roxana," Peterson told *Biodiesel Magazine*. "Essentially, we got as small as we could get to survive the hard times until the industry could get some relief with the return of the credit. Our main focus was keeping our well-trained, dedicated employees working and paychecks flowing. We also concentrated on keeping product flowing to our key customers and feedstock moving from our vendors."

The anticipated return of the credit for five years couldn't have come at a better time for Hero BX, Peterson said. "Unfortunately, many in our industry were hurt more deeply by the lapse," he added. "Plants reduced production, ceased operations, let hard-working employees go and discontinued renovations and expansions of capacity. For us, the longer-term return of the biodiesel tax credit means stability and certainty on one of the main drivers of industry economics that we haven't had in our history. It should make attracting additional investment into the industry easier than it has been in the past."

Although Peterson pointed out that the final Renewable Fuel Standard rule for 2020 and biomass-based diesel volumes for 2021 [released Dec. 19](#) by U.S. EPA were disappointing, he said Hero BX is still excited about the future of this industry and making plans to continue its growth strategy.

"First and foremost, we must get 'healthy' again as capital begins to flow," he said. "We have the South Roxana project teed up and ready to roll as soon as the winter weather breaks, and we are actively looking at other projects. It is important to point out that we couldn't have survived the past two years without the patience of our owner, Samuel P. Black III, and his longer-term vision, the support of our bankers and our incredible suppliers who worked very hard to help us carry the load on the lapsed credit. Also, the hard work and dedication of our employees was critical. They knew the state of the industry and saw other plants shuttering and laying off, but they hung in and stuck with us hoping for a favorable resolution to the tax credit issue and a return to prosperity for the biodiesel industry. The clouds are lifting, and the future of biodiesel looks bright again."

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