

Biodiesel industry on hold after tax credit runs out

11 January 2010, By Steve Gelsi

The biodiesel industry is revving up efforts to reinstate the U.S. biodiesel tax credit, warning that as many as 23,000 jobs could be at risk if lawmakers don't revive the program that expired at the beginning of 2010.

During the health care showdown in the Senate before the holidays, Congress failed to take some of its usual end-of-the-year actions on the biodiesel tax credit -- seen as vital to the producers of 500 million gallons of the fuel sold in 2009.

Usually made from byproducts of soybean processing for cattle feed, biodiesel received a \$1 per gallon credit, which expired as the year ended.

The subsidy, in place since 2004 and last extended in October 2008, has helped biodiesel grow as an affordable blending component of petroleum-based fuels.

Despite Washington's promotion of "green" jobs, the biodiesel industry could instead deliver green-collar [layoffs](#) if the program isn't revived, industry proponents argue.

"Production has pretty much dropped to zero since the tax credit expired," said Michael Frolich, a spokesman for the National Biodiesel Board, a trade association. "Plants are running idle, and they're cutting back more hours."

Frolich added that the industry hasn't announced any layoffs yet, but without the tax credit, the business would not thrive.

While biodiesel production still lags well behind corn-based [ethanol](#), it's still a significant business, with players such as Cargill, Archer Daniels Midland Co. and Valero Energy Corp. taking part.

All told, some 150 companies count themselves as voting members of the National Biodiesel Board.

Agriculture giant Archer Daniels Midland runs a biodiesel plant in Velva, N.D., and jointly owns a second in Mexico, Mo., but does not disclose its biodiesel capacity. A company spokesman referred comments on the biodiesel tax credit to the National Biodiesel Board.

Biodiesel advocates hope to get the tax credit back on the agenda shortly after Congress begins its 2010 session in coming days, with optimism about a reinstatement by February or March.

Late last year, Sen. Charles Grassley, R-Iowa, got the ball rolling by launching a bill to extend the tax credit for five years and make it a production tax credit instead of a blending credit. The move would make the tax credit more beneficial for companies that make biofuel, rather than refiners that use it to blend into their products.

"Without an extension of the tax credit, all U.S. biodiesel production will grind to a halt," Grassley said in a speech last month. "Plants will be shuttered, and workers will be let go."

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He said the industry already is working at just 15 percent capacity in the face of the global economic slowdown and falling prices for biodiesel, with employment in the industry now down by about 29,000 jobs from the healthier months of 2008.

While the Senate formally reconvenes on Jan. 20, Houston-based Renewable Biofuels continues to operate its big plant in Port Neches, Texas, at a lower rate of production a year after it opened. Spokesman Charles Deister said the facility employs up to 50 people and that the tax credit remains vital for its business.

"The investment community has placed several

billion dollars behind the industry, and the lapse of the tax credit and the EPA's failure to enforce the Renewable Fuel Standard does not send a positive message to Wall Street," Deister said.

While the petroleum industry uses biodiesel as a blending ingredient, the main fossil-fuel trade group in Washington, the American Petroleum Institute, hasn't issued any major statements supporting the biodiesel tax credit.

"The API believes that the market should determine what fuels are economically viable, and that all fuels should stand on their own merits and not rely on government subsidies," said its spokeswoman, Karen Matusic. "If there is a [biodiesel](#) tax credit, it should be applied to all forms of biodiesels."

She added that a joint project between Tyson Foods Inc. and ConocoPhillips to convert animal fats into renewable diesel did not qualify for the [tax credit](#).

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