Rethinking Biodiesel Subsidies:
The Climate, Taxpayer, and Food Security Costs
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Biodiesel Subsidies Costing Taxpayers Billions

Ms. Ryan Alexander
President
Taxpayers for Common Sense

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What is Biodiesel?

- Biodiesel is a type of biofuel made from animal or vegetable oils and fat that can be blended with conventional fuels or used on its own.
- 52% of U.S. biodiesel is derived from soybeans, impacting food/feed prices.
- Over the last two decades, biodiesel has become a mature industry in the U.S., largely due to taxpayer subsidies. U.S. biodiesel production jumped from 9 million gallons in 2001 to 1.8 billion gallons in 2018.

U.S. Biodiesel Feedstocks, 2017

- Soybean oil: 52%
- Canola oil: 13%
- Corn oil: 13%
- Used cooking oils and yellow grease, etc.: 10%

Source: Energy Information Administration (EIA)
Biofuel Subsidies: A Taxpayer Triple Threat

• **Tax Credits**
  - Biodiesel Tax Credit

• **Production Volume Mandate**
  - Renewable Fuel Standard (RFS)

• **Spending**
  - Biomass Crop Assistance Program
  - Bioenergy Program for Advanced Biofuels
  - Biomass Research and Development Initiative
  - Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program
Cost of biodiesel tax credit has ballooned since ’04, $12 billion in total from 2005-17

Source: Joint Committee on Taxation
Conclusion

• Biodiesel subsidies/mandates are imposing costs on taxpayers, consumers and the environment:
  o Biodiesel tax credits increase GHG emissions (National Academies 2013)
  o Higher fuel costs (CBO 2014, GAO 2019)
• If mandates & subsidies for biodiesel are ended:
  o Limit market distortions
  o Stop picking winners & losers
  o Eliminate long-term liabilities

The House and Senate currently have proposals to extend the credit.
The Environmental Impacts of Biodiesel

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All biodiesel feedstocks have negative environmental impacts

2018 U.S. biodiesel

- Soy oil
- Canola oil
- Distillers corn oil
- Animal fats
- Yellow grease
- Other

Data source: US EIA
U.S. biodiesel drives global deforestation

- Existing cropland
- Biofuels
- Increase global food prices
- Forest
- New cropland
- Global cropland expansion
- CO₂
Soy is linked to climate-devastating palm oil
There is no waste biodiesel
Biodiesel does not offer clear climate benefits

Lifecycle GHG emissions of soy biodiesel

Results from government regulatory GHG analyses by U.S. EPA, California Air Resources Board, and the European Commission
Human Rights Implications of Food-based Biodiesel

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Concerns around Food-based Biodiesel

- Not a climate solution
- Land Grabs
- Food Price
- Local environmental impacts

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Priorities for Reform

- Capping and phasing out food-based biofuels, including biodiesel
- Recognizing impacts in other countries
- Rightsizing biofuels role in climate change mitigation

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Thank You