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VIA ELECTRONIC SUBMISSION

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July 11, 2016

Environmental Protection Agency
Air and Radiation Docket and Information Center
Environmental Protection Agency
Mailcode: 2822T
1200 Pennsylvania Avenue, NW
Washington, D.C. 20460

RE: Renewable Fuel Standard Program: Standards for 2017 and Biomass-Based Diesel Volume for 2018

The American Cleaning Institute® (ACI) appreciates this opportunity to provide comments on the Renewable Fuel Standard (RFS) Program: Standards for 2017 and Biomass-Based Diesel Volume for 2018; Proposed Rule. ACI is the trade association representing the \$30 billion U.S. cleaning products industry. Our members include oleochemical producers; the formulators of soaps, detergents, and general cleaning products used in household, commercial, industrial and institutional settings; companies that supply ingredients and finished packaging for these products. ACI and its members are dedicated to improving health and the quality of life through sustainable cleaning products and practices. ACI's mission is to support the sustainability of the cleaning products industry through research, education, outreach and science-based advocacy and to assure free market access to the key raw materials for the industry. Since 1926, ACI has promoted health through personal hygiene and effective cleaning. More information about ACI can be found at www.cleaninginstitute.org.

ACI remains concerned with the RFS's serious and significant impact on ACI member companies' ability to source animal fats for use as an oleochemical feedstock. The proposed volumes would continue to divert large quantities of a finite inelastic supply of animal fats to the biofuels market, thereby critically disadvantaging the domestic oleochemical industry. The latitude to reduce these volumes is provided by statute, which indicates EPA's ability to reduce the applicable volume of advanced biofuel and total renewable fuel, specified for 2017 and 2018, if it is determined that the projected volume of cellulosic biofuel production for that year falls short. Therefore, the volumes of advanced biofuel and total renewable fuel for 2017 and 2018 should also be reduced. This will prevent an over reliance on certain fuels over others, especially biomass-based biodiesel, which uses the same animal fats as feedstock. EPA has a

responsibility, if not duty, to equally protect all industries that rely on animal fats to produce goods. Agency mandates should not choose winners and losers. Therefore, we respectfully request that EPA use its discretionary authority to lower the volume requirement for biomass-based diesel, or, alternatively, to exclude animal fats as a feedstock option.

Executive Summary

- Agency mandates should not choose winners and losers. EPA has a responsibility, if not duty, to equally protect all industries that rely on animal fats to produce goods;
- The price of animal fats has increased 95 percent since 2006 under the combined policies of the RFS and tax incentives for biofuels;
- Biofuel production consumes a significant amount of the total supply of animal fats and current policies threaten not only the price but the availability of animal fats for oleochemical production;
- Since 2011 (a historical first) the price of animal fats have exceeded that of Malaysian palm oil;
- Switching to foreign-sourced palm oil by the oleochemical industry threatens 25,000 U.S. jobs; and
- EPA must use all its available discretion to exempt or minimize the use of animal fats under the RFS mandates and include the Proposed Rule's impact on the oleochemical industry in its analysis of impacts on other sectors and industries; specifically, EPA must address the potential job loss in collateral industries.

The supply of animal fats is inelastic

Animal fats are a co-product of livestock slaughter, not a demand driver. Consequently, there is no reasonable prospect that their production will increase significantly; farmers and ranchers do not raise or slaughter animals for their fats. Historically, animal fats have provided domestic oleochemical producers a competitive raw material cost advantage over foreign-sourced palm oil and have had a robust market supplying the broader oleochemical industry. The production of rendered products experience minimal change from year-to-year (Table 1). This demonstrates the inelastic nature of rendered products and demonstrates the need for EPA to reduce the 2017 and 2018 volumes of renewable fuels that use animal fats as a feedstock.

Table 1.

| U.S. Production of Rendered Products (000 Metric Tons) | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Tallow | 2,538.9 | 2,424.4 | 2,364.5 | 2,338.8 | 2,373.5 | 2,265.1 | 2,248.0 | 2,094.6 | 2,077.8 |
| Inedible tallow | 1,727.5 | 1,610.7 | 1,531.1 | 1,511.2 | 1,486.8 | 1,453.2 | 1,442.2 | 1,356.7 | 1,331.0 |
| Edible tallow | 811.4 | 813.7 | 833.4 | 827.6 | 886.7 | 812 | 805.4 | 737.8 | 746.8 |
| White grease | 559.5 | 595.5 | 586.4 | 572.7 | 580.7 | 593.9 | 590.7 | 581 | 623.4 |
| Choice white grease | 499.5 | 531.7 | 523.6 | 511.3 | 518.4 | 530.3 | 527.4 | 519 | 556.6 |
| Lard | 60 | 63.8 | 62.9 | 61.4 | 62.2 | 63.7 | 63.3 | 62.3 | 66.8 |
| Yellow grease/used cooking oil | 910.2 | 920 | 872.9 | 868.8 | 906.4 | 885 | 900.8 | 931.8 | 926.4 |
| Poultry fat | 624.8 | 659.3 | 458 | 471.4 | 475.2 | 474.8 | 481.5 | 488.2 | 503.1 |
| Subtotal | 4,633.4 | 4,599.2 | 4,281.8 | 4,251.8 | 4,335.7 | 4,218.8 | 4,221.0 | 4,096.0 | 4,130.7 |
| Year to Year Difference | N/A | -34.2 | -317.4 | -30.0 | 83.9 | -116.90 | 2.2 | -125.0 | 34.7 |
| Percent of Supply Change | N/A | -0.74% | -6.9% | -0.7% | 1.97% | -2.7% | 0.05% | -3.0% | 0.85% |

Source: Render Magazine, April 2016

Federal Policies Disadvantage Historical Feedstock Use

Domestic oleochemical manufacturers face disruptions in the market availability and price for animal fats as a direct result of delays in establishing RFS required volumes and the uncertainty of an extension of the biodiesel production tax credits. On the other hand, biodiesel producers are given the guaranteed market of the RFS and a production tax credit, which provides biodiesel producers with extraordinary market leverage in the purchase of animal fats. The Proposed Rule notes that “many factors that impact the viability of the BBD [Biomass-Based Diesel] industry in the United States, such as commodity prices and the biodiesel tax credit, remain uncertain. Continuing to increase the BBD volume requirements should help to provide market conditions that allow these BBD production facilities to operate with greater certainty.” (pg. 34811) BBD volumes should not exist to serve one industry over another, especially at the expense of industries who use the same feedstocks without a guaranteed market or tax advantages. And, biodiesel producers’ ability to meet the requirements of the RFS should not hinge on additional government market subsidies, especially those that harm historic users of the same feedstock.

BBD production will continue to use its federal policy advantages to threaten the market availability of animal fats. The Proposed Rule both acknowledges this reality and falsely claims that these animal fats are “waste fats.” “In previous years, the primary feedstocks used to

produce biodiesel and renewable diesel in the United States have been vegetable oils (primarily soy, corn, and canola oils) and waste fats, oils, and greases. We anticipate that these feedstocks will continue to be the primary feedstocks used to produce biodiesel and renewable diesel in 2017.” (34791) Waste implies something that does not otherwise have a value. This is not the case with animal fats. Papers of record, such as *The Wall Street Journal* and *The New York Times*, list the commodity prices of the various animal fats used for production in hundreds of products. These prices are also collected and published by private firms such as ICIS-LOR and The Jacobsen Letter.

Oleochemicals are the original “green” chemistry. They are used in a wide range of value-added household and industrial products (see Appendix A). In view of this history, any characterization of animal fats as “waste” is false and should not be supported by EPA. Rather, the Agency should use its discretionary authority to exclude animal fats as feedstock from the Proposed Rule or, at a minimum, treat BBD in a way that does not unfairly impact historical feedstock use.

Over Reliance on Biomass-Based Diesel

The BBD volume requirement is “nested” within both the advanced biofuel and total renewable fuel requirements, meaning that any volume of BBD produced beyond the mandated volume can be used to fulfill these two requirements. This flexibility creates a disincentive for the development of other advanced biofuels.

The Proposed Rule recognizes the limited development of alternative renewable fuels. “Despite significant increases in renewable fuel use in the United States, real-world constraints, such as the slower than expected development of the cellulosic biofuel industry and constraints in the marketplace needed to supply certain biofuels to consumers, have made the timeline laid out by Congress impossible to achieve.” (34780) The Proposed Rule continues its evaluation of the cellulosic biofuel industry and “have concluded that the volumes for advanced biofuel and total renewable fuel specified in the statute cannot be achieved in 2017. This is due in part to the expected continued shortfall in cellulosic biofuel.” (34784)

The Proposed Rule’s suggestion that BBD can make up for the volumetric shortfalls of other renewable fuels further threatens the market availability of animal fats. EPA must limit the amount of a single feedstock that could be used to fill a mandated fuel. The proposal that BBD be used to satisfy the shortcomings of other renewable fuels further skews the market against historic users of animal fats.

BBD is an attractive fuel to produce because of federal renewable fuel policies and tax incentives. Any additional or excess capacity a BBD production facility has should not simply

be given an increased mandate but face the same market forces as the domestic oleochemical industry.

Without a limit, renewable fuels could consume, at some point, the entire available supply of animal fats. The resulting consequence would force the oleochemical industry to use alternative feedstocks, specifically foreign-sourced palm oil, whose impact on the environment has made it ineligible as a renewable fuel feedstock.¹ Again, ACI respectfully requests that EPA use its discretionary authority to lower, rather than raise, the volume requirements for BBD and advanced biofuel, or, alternatively, to exclude animal fats as a feedstock option.

Price Advantage Disappearing

The Proposed Rule acknowledges that the Agency is required to examine the impact of the RFS on commodities such as animal fats. “EPA is required under Clean Air Act section 211(o)(2)(B)(ii) to determine the applicable volume of BBD, in coordination with the Secretary of Energy and the Secretary of Agriculture, based on a review of the implementation of the program during calendar years for which the statute specifies the volumes and an analysis of the following factors.... 6. The impact of the use of renewable fuels on other factors, including job creation, the price and supply of agricultural commodities, rural economic development, and food prices.” (34807)

The RFS and biodiesel production tax credit is pricing the domestic oleochemical industry out of the market and forcing it to find cheaper and more plentiful foreign-sourced palm oil, which, over time, will drive this industry overseas (Table 2). Animal fats have had a historic price advantage over foreign-sourced palm oil. As foreign-sourced palm oil has become less expensive than animal fats, it has developed into an attractive alternative in product formulation considerations. The price difference is a direct result of federal policies that have been created to entice and encourage the production of biodiesel and renewable diesel, at the expense of the domestic oleochemical industry. Higher prices caused by increased demand for animal fats cannot be offset by increased supply. This is the inelastic economic dilemma for oleochemical manufacturers and these historic users of this raw material are not provided the same market leverage.

¹ EPA ruled that renewable diesel produced from palm oil is ineligible for the RFS program because it does not meet the minimum 20% lifecycle GHG reduction needed to qualify. (CRS Renewable Fuel Standard (RFS): Overview and Issues, March 14, 2013)

Table 2.

| Average Yearly Price (Cents/Lb) | BFT(tallow): Delivered Chicago | Palm Stearin FOB Malaysia | BFT(tallow): Delivered Chicago- Palm Stearin | Technical Tallow | Technical Tallow-Palm Stearin |
|--|---------------------------------------|----------------------------------|---|-------------------------|--------------------------------------|
| 2006 | \$0.19 | \$0.20 | -\$0.01 | \$0.19 | -\$0.01 |
| 2007 | \$0.28 | \$0.33 | -\$0.05 | \$0.29 | -\$0.04 |
| 2008 | \$0.34 | \$0.37 | -\$0.03 | \$0.37 | \$0.00 |
| 2009 | \$0.25 | \$0.28 | -\$0.03 | \$0.28 | \$0.00 |
| 2010 | \$0.33 | \$0.39 | -\$0.06 | \$0.39 | \$0.00 |
| 2011 | \$0.50 | \$0.47 | \$0.03 | \$0.57 | \$0.10 |
| 2012 | \$0.44 | \$0.42 | \$0.02 | \$0.51 | \$0.09 |
| 2013 | \$0.41 | \$0.34 | \$0.07 | \$0.44 | \$0.10 |
| 2014 | \$0.37 | \$0.34 | \$0.03 | \$0.41 | \$0.07 |
| 2015 | \$0.27 | \$0.25 | \$0.02 | \$0.30 | \$0.05 |

Source: The Jacobsen

The tax credit makes the use of this raw material viable to fulfill RFS mandates. Prior to passage of the “*American Jobs Creation Act of 2004*” (AJCA) “animal fats” were purchased in an unsubsidized, free, competitive market. Implementation of the Volumetric Ethanol Excise Tax Credit (VEETC) provisions of AJCA changed all that by creating a \$1 per gallon tax credit for the production of biodiesel, including that produced from animal fats. This was followed by similar subsidies created for other categories of biofuels also using animal fats as a raw material.

Agency Discretion Must be Applied to Protect All Industries

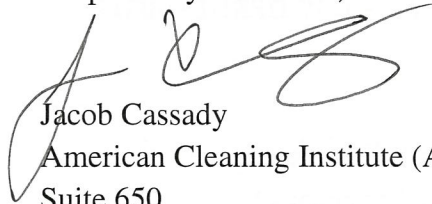
Government policies have driven the price of tallow above that of palm oil and as a result, the domestic oleochemical industry stands to be driven offshore to Southeast Asia to be near any new raw material source, i.e. palm oil. While it is somewhat difficult to tease out industry specific numbers from the Standard Industry Codes (SIC) or Dunn and Bradstreet, our best estimate is that the oleochemical industry currently directly supports 25,000 breadwinner jobs in the United States.

Long term usage and reliance on animal fats to produce biofuels is not viable. There simply is not enough production volume to meet the growing required demand for biodiesel and there is little likelihood that the supply of animal fats will dramatically increase. Eventually biodiesel

producers will depend on feedstocks other than animal fats. This inevitability should cause EPA to exclude their usage in 2017 and beyond to drive the use of more sustainable, expandable feedstock supplies. This would go a long way toward protecting the continued viability of the U.S.-based oleochemical industry. Without a consistent and adequate supply of animal fats as a feedstock for the production of oleochemicals, the industry will need to turn to other non-US sourced feedstocks, which over time could result in the US losing this industry.

EPA must use its discretionary authority to ensure adequate supply of these feedstocks for all industries, not just biofuels. EPA should limit the percentage of the animal fat supply that can be used in the production of biofuels or eliminate animal fats as a feedstock option. It is unfair to place such a heavy burden on a source that is as inelastic as animal fats. By doing so, EPA is deciding which industry wins and which one loses. The domestic oleochemical industry has provided decades of economic strength and security. Consequently, we urge EPA to use its discretionary power to limit, rather than expand, the use of animal fats under the RFS by lowering the volume requirement or excluding animal fats as a feedstock. The future of a longstanding domestic industry is at stake.

Respectfully submitted,



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Appendix A

Representative Oleochemical Uses

Daily toiletry care

Soap (liquid/bar)
Toothpaste
Shaving Cream
Moisturizing body Cream
Mouthwash
Cosmetic creams
Shampoo
Hair conditioner
Make-up
Body washes
Hand lotions
Nail Care products

Clothing Care

Detergents
Fabric softener
Stain removers

Cleaning/homes/buildings

Hard surface cleaners &
sanitizers
Dish detergent (hand/machine)
Glass cleaner
Candles
Air fresheners

Other Uses:

Tires
Various rubber products
Pharmaceuticals
Building materials - foams
Lubricants
Mattresses
Automobiles - car dashboards
Inks
Paints
Textile fiber finishing
Fragrances (carriers)
Adhesives
Resins
Plastics
Water treatment materials
Paper Processing
Hydraulic Fluids
Corrosion inhibitors
Dairies - food processing
Agriculture-dispersing agent