January 26, 2007

The Honorable Eric Solomon
Assistant Secretary of the Treasury
United States Department of the Treasury
1500 Pennsylvania Avenue, N.W.
Washington, DC 20220

Re: Renewable Diesel Tax Credit under Sections 40A and 6426 of the Tax Code

Dear Assistant Secretary Solomon:

We urge you to act quickly to finalize a broad interpretation of “thermal depolymerization” in Departmental guidance that will foster the growth of Renewable Diesel in the United States. In the Energy Policy Act of 2005, Congress provided authorization and resources. However, Departmental guidance confirming a broad interpretation of “thermal depolymerization” is essential for this critical technology and growing area to advance in the U.S.

Renewable Diesel is a clear, virtually free of sulphur and aromatics fuel produced from a broad array of renewable, bio-based sources including animal fats. Renewable Diesel has many favorable fuel ignition qualities such as an exceptionally high cetane value, cleaner combustion, and greenhouse gas emissions that are, in some cases, less than 10 percent of those from fossil fuels. Renewable Diesel can also be readily incorporated into the existing fuel marketing infrastructure.

As you are aware, major initiatives are underway to encourage the growth of bio-based transportation fuel. Some of these initiatives have had negative consequences for animal agriculture and the meat industry. However, the tax incentives available for Renewable Diesel not only offer exciting opportunities for our industry, but also have the potential to deliver a significant amount of renewable, clean fuel to U.S. consumers.

Annually, animal agriculture in the U.S. produces approximately 1.5 billion gallons of pure animal fats. While the technologies exist to produce Biodiesel from both vegetable oils and animal fats, Biodiesel produced from vegetable oils is preferred due to its cold-weather properties. In fact, most Biodiesel produced in the U.S. is derived from vegetable oil. Currently, nearly all Biodiesel production facilities lack the added equipment necessary to process animal fats.

In contrast, animal fats are an excellent feedstock for the growing range of Renewable Diesel processes. Outside the U.S., significant research and development has been directed toward next generation Renewable Diesel technologies. Multiple technologies using a “thermal depolymerization” process produce Renewable Diesel from animal fats. Not only do these manufacturing processes perform better with animal fats, they actually produce superior products with desirable market properties. These processes are commercially viable right now
in Europe, South America, and Asia. Currently, Renewable Diesel is commercialized in Ireland, France, Austria, Finland, Australia, Brazil and throughout Asia by leading companies including BP, Nippon Oil, ConocoPhillips, Neste Oil and Petrobras. More advanced applications of thermal depolymerization include using cellulosic biomass (e.g. woodchips), as demonstrated by the Shell / Choren facility in Germany.

Interest in these technologies is growing among Members of Congress, as evidenced by Dr. Michael Pacheco’s recent testimony during a hearing on biofuels in the Senate Committee on Agriculture, Nutrition and Forestry. Dr. Pacheco highlighted that the growth of Renewable Diesel in Europe is, in part, because the EU’s Green Diesel policy does not discriminate among bio-based feed stocks. As the President and the Congress call for more ambitious renewable fuel goals, it is critical that U.S. tax policy supports a broad range of technologies for growth of Renewable Diesel to occur in the U.S.

A broad interpretation of “thermal depolymerization” in the Department’s pending guidance will align the goals of energy independence and cleaner fuels with tax policy that does not discriminate among bio-based feed stocks. Members of the animal agriculture community are prepared to advance the growth of alternative fuels, but a level playing field is needed.

Without the equitable treatment of all feed stocks, renewable diesel in the U.S. will likely not be competitive with tax credit supported vegetable-based Biodiesel. Certainty of favorable tax policy is needed to ensure an entrepreneurial climate that can support the green field, early mover, and risks related to making the investments in this emerging field. It is vital that we support developing technologies that fully utilize our existing agricultural capabilities and energy infrastructure. A broad interpretation is good for farmers, ranchers and rural development because it creates more value for livestock, along with opportunities for agriculture to help increase the supply of secure, domestically produced transportation fuel.

Thank you in advance for your attention to this request and again we urge you to provide an expedient interpretation of “thermal depolymerization” in Department guidance that will foster the growth of Renewable Diesel in the United States.

Sincerely,

American Meat Institute
National Chicken Council
National Pork Producers Council
National Turkey Federation

cc:
Hon. Henry Paulson, United States Secretary of the Treasury
Hon. Mike Johanns, United States Secretary of Agriculture
Hon. Samuel Bodman, United States Secretary of Energy