

NOPA Verbal Comments to USDA's Public Consultation on Climate-Smart Agriculture Biofuel Feedstocks

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AS PREPARED FOR DELIVERY

Thank you for the opportunity to participate in this public consultation. I'm Kailee Tkacz Buller, President and CEO of the National Oilseed Processors Association, or NOPA, which represents the U.S. soybean, canola, safflower seed, and sunflower seed crushing industries. I represent 17 companies that process oilseeds for meal and oil for food, feed, fuels, and industrial products. NOPA members operate over 70 facilities across 21 states. We crush 95% of all soybeans processed in the U.S.

NOPA members have been building capacity to process domestic row crops into biofuel feedstocks in line with state and federal renewable fuel provisions. NOPA members have made nearly \$6 billion in investments to expand capacity nearly 30%. NOPA commissioned a feedstock study which indicated domestic feedstocks alone can support the production of an additional 1.4 billion gallons of biofuels by 2030. However, given current market conditions and lack of certainty on biofuels issues, these investments are being called into question.

U.S. agricultural feedstocks are vital to the oilseed processing industry and the backbone of sustainable biofuel production and, as such, we have reduced our environmental impact for soybean crushing emissions reported in GREET 2023 by 38% based on a recently conducted Life Cycle Assessment.

40B ISSUES THAT SHOULD BE FIXED IN 45Z: While we appreciate the recognition of the carbon benefits that climate-smart agriculture practices can deliver in 40B, we remain concerned with some of the provisions in the guidance that we hope will be rectified in the 45Z rulemaking. For example, under 40B, SAF produced from imported waste feedstocks such as tallow and Used Cooking Oil (UCO) is slated to receive approximately \$1.85/gallon credit, while SAF produced from soybean oil will receive approximately \$0.60/gallon less – putting us at a substantial disadvantage

TIMING: It is critical that Treasury issues its 45Z rulemaking as soon as possible. With over 5 billion gallons of biomass-based diesel being produced annually, delays in the rulemaking process have already created uncertainty in the marketplace and continue to hamper our ability to plan.

DOMESTIC FEEDSTOCK REQUIREMENT NEEDED: Higher imported waste feedstocks have eroded soybean oil values, driving down both crush margins and farm gate prices for soybeans. With the farm economy struggling, implementing a domestic feedstock requirement for 45Z is essential. While NOPA strongly supports free trade and open markets, we believe the IRA tax credits were intended to benefit U.S. industry. As USDA works with Treasury to develop 45Z rules, we ask that the intent of the Congress is followed. The legislative record of the IRA clearly shows that Congress intended for the IRA to serve the dual purpose of addressing climate change and promoting American job creation.

Without a call out or preference given specifically to domestic feedstocks, we will continue to get boxed out of the process and passed up for foreign imports.

Total U.S. imports of UCO and tallow from 2000-2021 totaled just over 5 billion pounds. From January 2022 through August 2024, the U.S. imported over 11.3 billion pounds of UCO and tallow – more than double the imports over a 20-year period.

Imported feedstock volumes continue to skyrocket quarter over quarter, displacing domestically produced feedstocks. UCO and tallow imports sent into the U.S. from January 1, 2023 - August 31, 2024 alone have the ability to displace the soybean oil crushed from an equivalent of over 760 million bushels of soybeans. To put that into perspective, soybean production in the state of Illinois last year alone was approx. 650 million bushels of soybeans.

If the 45Z tax credit is implemented on January 1, 2025 under this status quo, domestic feedstocks will likely continue to be the residual supply for biofuels and be supplanted by foreign imports. This market dynamic is unsustainable for NOPA members, which is why we join the American Soybean Association, American Farm Bureau Federation, and others to support a domestic feedstock requirement for 45Z.

NOPA has shared similar sentiments with the U.S. Treasury and urges USDA to support this ask.

INTEGRITY & TRACABILITY: NOPA has and continues to support heightened scrutiny, oversight, and traceability to ensure the integrity of biofuels programs. NOPA believes origin disclosure and product makeup must be verifiable and traceable for imported feedstocks. NOPA strongly supports paperwork and in-person audits and testing.

USDA APHIS: In fact, NOPA believes USDA APHIS has significant regulatory authority in the registration and health permit process of imported UCO and tallow. It is our understanding APHIS does not test or audit imports, and relies solely on company attestations. We encourage USDA to consider additional rigor in its process and also to publicly disclose when fraudulent shipments are identified. These elements are in line with ensuring the highest level of integrity of all imports including countries with higher rates of deforestation.

OTHER NEEDS FOR 45Z: The rulemaking should allow for decarbonization pathways for oilseed processing under the GREET model. It should unbundle climate-smart agriculture practices, increase the number of eligible climate-smart agriculture practices and eliminate the requirement for direct contracts between farmers and fuel producers because this does not reflect real-world conditions for agricultural supply chains.

Thank you for this opportunity, NOPA stands ready to be a resource.

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