NOPA
NATIONAL OILSEED PROCESSORS ASSOCIATION

1310 L Street NW, Suite 375
Washington, DC 20005
www.nopa.org

October 15, 2024

Ways and Means Committee
U.S. House of Representatives
1102 Longworth House Office Building
Washington D.C. 20515

Thank you for the opportunity to provide written comments on key tax provisions as the committee prepares for the expiration of the Tax Cuts and Jobs Act. We appreciate the committee's focus and dedication to farmers, workers, and small businesses and sincerely appreciate the proactive process The Committee and the Tax Teams are taking in advance of these expirations next year.

The National Oilseed Processors Association (NOPA) appreciates being able to share our insights and observations. NOPA members have a vital interest in tax policy with a specific focus on the 45Z Clean Fuel Production Tax Credit. Organized in 1930, NOPA represents the U.S. soybean, canola, flaxseed, safflower seed, and sunflower seed-crushing industries. NOPA's membership includes 17 members that are engaged in the processing of oilseeds for meal and oil that are utilized in the manufacturing of food, feed, renewable fuels, and industrial products. NOPA member companies operate over 70 soybean and softseed solvent extraction plants across 21 states. NOPA members crush over 95% of all soybeans processed in the U.S. which equates to over 2 billion bushels annually. Soybeans are made of up of approximately 80% meal and 20% oil meaning as more oil becomes available for renewable energy use, even more meal will become available for food and feed use. The total economic impact on the U.S. economy from the soybean sector averaged $124 billion including $9.8 billion from crushing – U.S. soy sector accounts for approximately 0.6 percent of the U.S. gross domestic product (GD), and as much as eight percent of the GDP for certain states.

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 – and new entrants into the soy processing sector — have announced plans to invest approximately $6 billion to expand U.S. crushing capacity by nearly 30% relative to 2023 installed capacity.

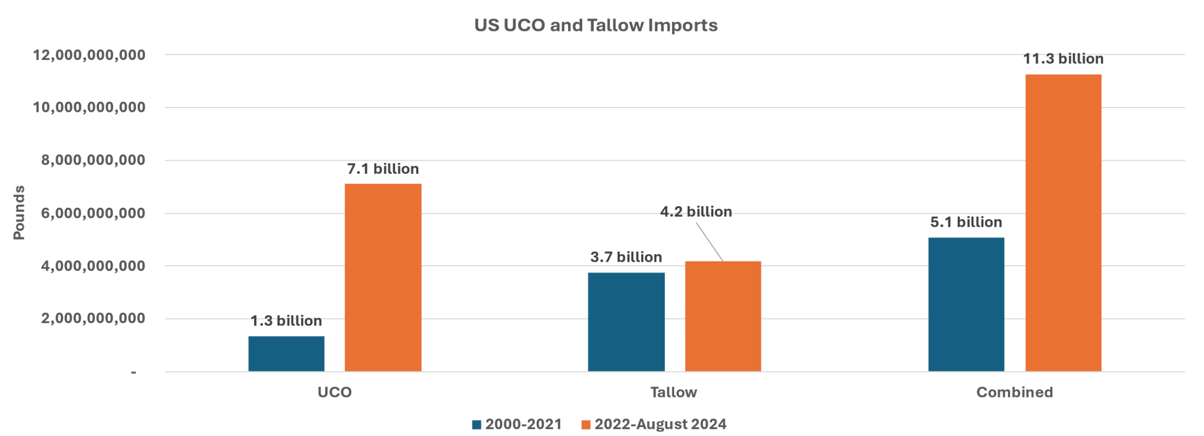
NOPA members' oilseed processing operations yield protein-rich meal for human and animal nutrition, as well as vegetable oil that is used as an ingredient in food manufacturing and as a feedstock for renewable fuels such as biodiesel, renewable diesel, and Sustainable Aviation Fuel (SAF). These sustainably produced biofuels help reduce greenhouse gas emissions and the carbon intensity of transportation fuels in use today – especially the hard-to-decarbonize aviation sector – while creating new economic opportunities for American agriculture.

Anticipated long-term growth in low carbon fuel demand, driven in large part by provisions in the Inflation Reduction Act (IRA) coupled with the Renewable Fuel Standard has translated into significant investments; NOPA member commitments would add approximately 750 million bushels per year in U.S. crush capacity. NOPA members are interested in continuing investment in this emerging field, and additional certainty in the tax code would signal to NOPA members to continue to increase its capacity creating new jobs and provide more support to U.S. farmers through the additional purchase of homegrown U.S. soybeans.

As the U.S. House Ways and Means Committee prepares to undertake tax reform, we appreciate the opportunity to highlight several of NOPA's recommendations, specifically as they relate to Section 45Z Clean Fuel Production Tax Credit of the IRA.

The 45Z tax credit should benefit, not undermine, the U.S. agriculture supply chain and as such NOPA supports a domestic feedstock requirement for 45Z: While NOPA strongly supports free trade and open markets, we believe that domestic tax credits should favor domestic industries. Currently, the California Low Carbon Fuel Standard (LCFS) program and the 40B Sustainable Aviation Fuel Tax Credit are driving demand for low "carbon intensity" imported waste feedstocks. These programs are built on carbon intensity modeling that considers feedstocks such as used cooking oil (UCO), tallow, and greases as "waste." The modeling does not account for the full lifecycle of these feedstocks. As such, these imported "waste" feedstocks are more valuable under the LCFS and 40B programs, and as such biodiesel fuel blenders are utilizing imported feedstocks over home-grown commodities for biofuel use. NOPA strongly supports the position that domestic fuel production should be made with domestic feedstocks to qualify for the IRA tax credit. Without the explicit mention or requirement of domestic sourcing for feedstocks, domestic biofuel production will favor foreign producers over American farmers and oilseed processors.

Since January 2022, UCO and Tallow Imports More Than 2x Total Imports from 2000-2021 *Combined*

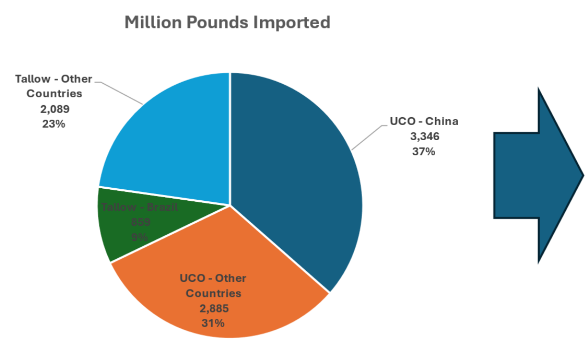


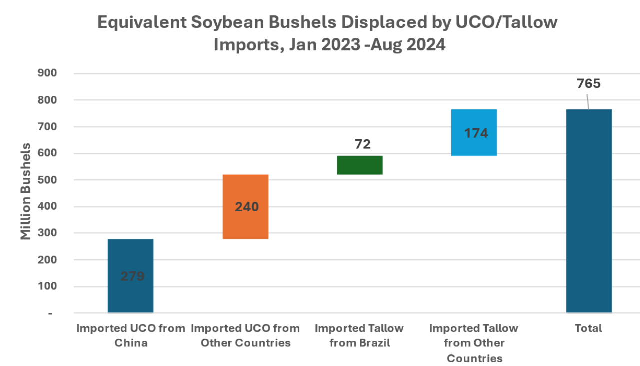
Data Source: USDA GATS/US Census Bureau; USDA NASS

As shown in the chart above, total U.S. imports of UCO and tallow from 2000-2021 *combined* 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 into the U.S. have skyrocketed in 2023 and 2024, displacing domestically produced feedstocks. One pound of imported feedstock displaces one pound of domestically produced soybean oil, produced from 5 pounds of soybeans. From Jan 1, 2023 - August 31, 2024 - the US imported a total of 9.2 billion pounds of UCO and tallow. Those 9.2 billion pounds of imported feedstocks have the potential to displace the soybean oil crushed from an equivalent of over 760 million bushels of soybeans.[1] To put that into perspective, soybean production by bushels per state is detailed below.

[1] *USDA GATS/US Census Bureau*

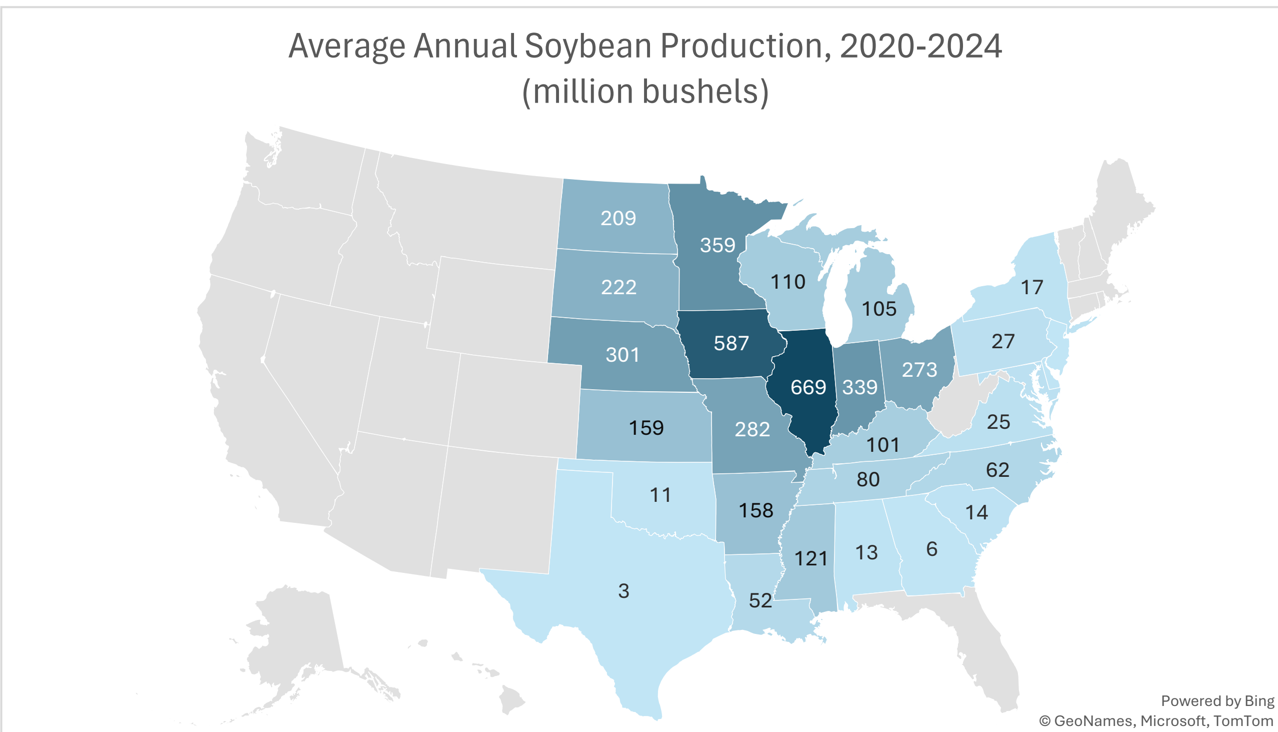
UCO and Tallow Imports – Soy Equivalence Jan 1, 2023-August 31, 2024



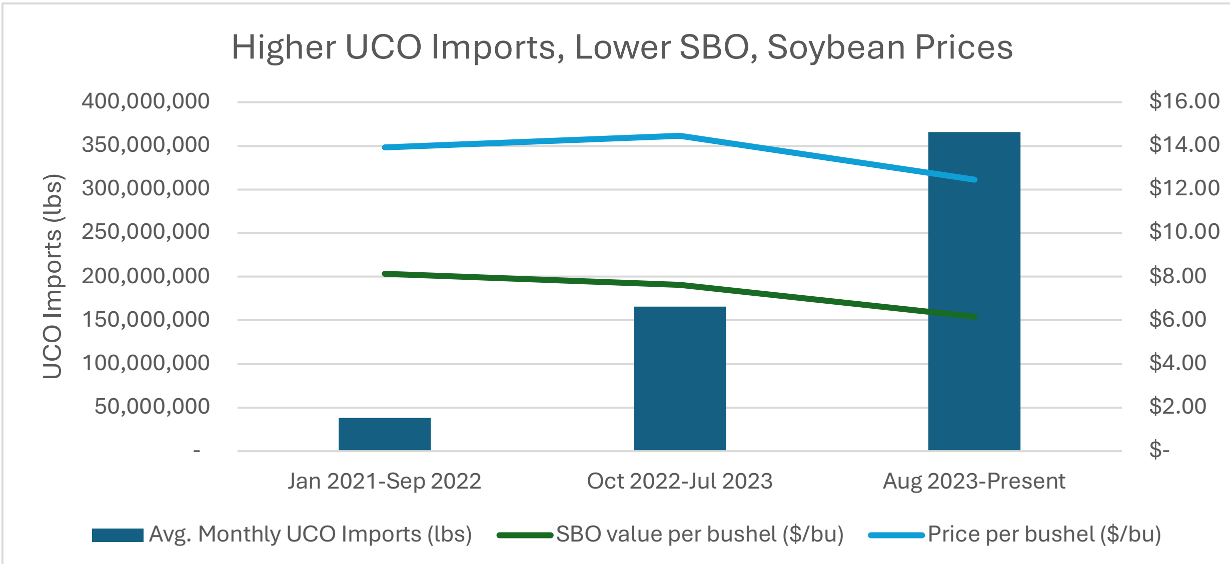


In 2023 and 2024 (to date through August 2024), the **US has imported a total of 9.2 billion pounds of UCO and tallow**.[3] Those 9.2 billion pounds of imported feedstocks **displace the soybean oil** crushed from an equivalent of **over 760 million bushels**.

Data Source: USDA GATS/US Census Bureau



Further, higher imports have eroded soybean oil values, driving down both crush margins and farm gate prices for soybeans. On a crop base of 4.3 billion bushels, a drop in price from an average of $13.94/bu to an average of $12.45/bu from 3 distinct periods between Jan. 2021-present[2], translates to a loss in production value to farmers of over $6 billion.



If the 45Z tax credit is implemented January 1, 2025, under this status quo market dynamic, it is anticipated there will be even greater demand for imported feedstocks and domestic feedstocks will become the residual supply for biofuels. The market dynamic is unsustainable for NOPA members, which is why NOPA joins the American Soybean Association, American Farm Bureau Federation, National Corn Growers Association, and the National Farmers Union to support a domestic feedstock requirement for 45Z[3]. A domestic feedstock requirement for 45Z will ensure the program is truly benefiting the American farmer and producer, as well as the U.S. taxpayer.

NOPA has shared similar sentiments with the U.S. Treasury Department who currently holds the pen on issuing regulations and guidance on 45Z. It is also noteworthy that there is bipartisan support in both Chambers of Congress on a domestic feedstock requirement.

Senator Brown (D-OH) and Senator Marshall (R-KS) sent a letter on July 30, 2024 to Treasury requesting 45Z be limited to domestic feedstock and domestic fuel producers with 16 Senators signing in support. Reps. Mann (KS) and Kaptur (OH) authored a similar letter to Treasury with 41 signers on September 4. On September 24, bicameral and bipartisan titled the Farmer First Fuel Incentives Act was introduced requiring the Treasury Department to restrict the eligibility of the 45Z Tax Credit to renewable fuels made only from domestically sourced feedstocks and extending the tax credit to make it a full ten-year credit. This bill is co-led with Senator Sherrod Brown (D-OH) and Senator Marshall (R-KS) with companion legislation introduced by Representatives Mann (R-KS-01) and Kaptur (D-OH-09) in the House of Representatives. Senator Pete Ricketts (R-NE), Amy Klobuchar (D-MN), Deb Fischer (R-NE), Tammy Baldwin (D-WI), and Tina Smith (D-MN) also cosponsored the legislation.

---

[2] *USDA GATS/US Census Bureau; USDA NASS; USDA ERS*
Jan 2021-Sep 2022 (Announcements of capacity growth in renewable diesel production drove a surge in demand for feedstocks)
Oct 2022-Jul 2023 (UCO imports nearly quintuple as facilities come online and capacity expands. Commodity prices supported by foreign production shortfalls)
Aug 2023-Present: (UCO imports flood the domestic market, driving down D4 RIN values, soybean oil prices, and whole soybean prices)
[3] *American Farm Bureau Federation Letter: https://www.fb.org/files/backgrounder/07.17.24-SAF-Coalition-Letter.pdf (July, 17, 2024)*

While NOPA strongly supports the 45Z tax credit, we believe for it to be workable for the U.S. agriculture industry it must be limited to domestic renewable fuels made from domestic feedstocks. NOPA calls on the House Ways and Means Committee to consider supporting this important provision in the long term, but also to ensure the committee understands without a domestic feedstock fix in the tax credit, foreign imports will continue to benefit at the expense of U.S. farmers, U.S. producers, and U.S. taxpayers.

As you move through this process NOPA seeks to be your partner and serve as a resource. Thank you for your consideration.

Sincerely,

Kailee Tkacz Buller

Kailee Tkacz Buller
President & CEO