



Report to the Legislature

Annual Report on Biodiesel

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Executive Summary

In 2005, Minnesota became the first state to implement legislation mandating the use of biodiesel by blending biodiesel into its diesel fuel supply at a level of 2 percent—commonly referred to as B2. According to subsequent legislation (Minn. Stat. § 239.77, subd. 2), all diesel sold or offered for sale in Minnesota must contain 5 percent biodiesel (B5) as of May 2009, increasing to 10 percent (B10) in 2012 and 20 percent (B20) in 2018.^{1,2} The move to B10 was delayed until July 1, 2014. For 2014, the mandate was in effect through September 30, reverting to B5 on October 1. In 2015, the higher volume mandate began on April 1 and was in effect through the end of September.

The state currently uses ASTM D975-12a: Standard Specification for Diesel Fuel Oils, in M.S. 239.761: Petroleum Product Specifications. This version of the standard includes up to 5% biodiesel in diesel fuel. ASTM D6751: Standard Specification for Biodiesel Fuel Blend Stocks for Middle Distillate Fuels now contains provisions for a # 1 and # 2 biodiesel fuel. The use of the # 1 specification is voluntary. ASTM D7467: Standard Specification for Diesel Fuel Oil, Biodiesel Blend (B6 to B20) is the standard used for the B10 and B20 fuels in the state mandate.

No additional issues due to the use of biodiesel in #2 diesel fuel have been reported due to cold weather. The waiver on blending biodiesel into #1 diesel, along with more restrictive specifications that reduce the amount of monoglycerides in the B100 have led to better cold soak filtration times which have helped contribute to minimizing problems since the original #1 waiver in 2010.

Significant progress has been and continues to be made, since the original biodiesel mandate took effect in 2005, on establishing and improving industry specifications and quality guidelines for biodiesel, biodiesel blends, and diesel fuel oil. The BQ-9000 program is an example of a program that certifies producers and marketers for biodiesel fuel quality and reliability. Similar programs exist to increase the reliability of Renewable Identification Numbers (RINs) purchased in the market and avoid the risk of RIN fraud (for information on RINs and the Renewable Fuel Standard, see the full report in the section Diesel and Biodiesel Prices).

The price difference for biodiesel blends over the past year has been beneficial to the blender who does not need to comply with the federal Renewable Fuel Standard, also known as RFS2. For example, wholesale prices at MSP terminals showed a gallon of B5/B10 averaging 1.8 cents more than a gallon of #2 diesel in 2015, where a blender with no RFS2 obligation could blend with a profit margin for the entire year when taking advantage of RIN trading and the federal biodiesel blender's tax credit. The

¹ By law, the 10 and 20 percent minimum content levels would be effective from April 1st through September 30th only. According to MS § 239.77, subd. 2a, "The minimum content for the remainder of the year is five percent. However, if the commissioners of agriculture, commerce, and pollution control determine, after consultation with the biodiesel task force and other technical experts, that an American Society for Testing and Materials (ASTM) specification or equivalent federal standard exists for the specified biodiesel blend level in those clauses that adequately addresses technical issues associated with Minnesota's cold weather and publish a notice in the State Register to that effect, the commissioners may allow the specified biodiesel blend level in those clauses to be effective year-round."

² According to MS § 239.77, subd. 2b, the 10 and 20 percent minimum content levels "become effective on the date specified only if the commissioners of agriculture, commerce, and pollution control publish notice in the State Register and provide written notice to the chairs of the House of Representatives and Senate committees with jurisdiction over agriculture, commerce, and transportation policy and finance, at least 270 days prior to the date of each scheduled increase, that certain conditions have been met (e.g., ASTM specifications exists, adequate supply is available, etc.) and the state is prepared to move to the next scheduled minimum content level."

credit of \$1.00 per gallon was not in effect for most of 2015, but was reinstated retroactively on December 18, 2015.

With the reinstatement of the blender's tax credit, the RIN covered the difference for every week of 2015. As this mechanism settles into the marketplace, it has supported the blending market where RINs can be separated from fuel when blended and sold into the RIN market to further discount the price of biodiesel fuel.

The supply of biodiesel fuel to Minnesota terminals has been constant. When B5/B10 outages occurred at terminals, none were due to unavailability of biodiesel fuel; most occurred because of maintenance to equipment or very short delivery delays.

Minnesota's B2, B5, and B10 mandates have provided an important incentive, leading to the establishment of the state's biodiesel production capacity of 63 million gallons. The state's existing capacity can provide 91.4% for a year of B5/B10, and 54.5 % of biodiesel needed for statewide B20 requirements using the current diesel usage numbers.³

Feedstocks for biodiesel production at two of Minnesota three plants are determined by the price and availability of the vegetable oil or fat that can be used in the process. Given the large soybean oil crushing capacity in Minnesota, much of the soy oil used in Minnesota biodiesel plants is likely to be sourced from Minnesota oil producers. Companies like Renewable Energy Group (REG), owner of the Glenville plant, are able to use lower cost feedstock such as corn oil from the corn ethanol process. This adds to their flexibility regarding feedstock use at that plant. The Ever Cat Fuels plant can also utilize a wide variety of fatty acid feedstocks.

³ These estimates assume 919 million gallons of diesel usage in the state, based on usage totals for sectors blending biodiesel as provided by the U.S. Energy Information Agency. By statute, at least 50% of the anticipated demand at the next level must come from in-state production using at least 75% of its feedstock produced in the United States and Canada.

Introduction

This report is submitted pursuant to Minn. Stat. § 239.77, subd. 5(a):

Beginning in 2009, the commissioner of agriculture must report by January 15 of each year to the chairs and ranking minority members of the legislative committees and divisions with jurisdiction over agriculture policy and finance regarding the implementation of the minimum content requirements in subdivision 2, including information about the price and supply of biodiesel fuel. The report shall include information about the impacts of the biodiesel mandate on the development of biodiesel production capacity in the state, and on the use of feedstock grown or raised in the state for biodiesel production. The report must include any written comments received from members of the biodiesel fuel task force by January 1 of that year designated by them for inclusion in the report.

Background

The Biodiesel Task Force was created by the Legislature in March 2003 to help the state carry out its biodiesel mandate. Since then, the Task Force has met on an ad-hoc basis to discuss issues related to biodiesel production and its use. Sub-teams have been formed to address more specific issues such as cold weather operability.

The Biodiesel Task Force members are appointed by the Commissioner of Agriculture. Current membership includes:

- Ronald Marr, Minnesota Soybean Processors (Chairperson)
- Gary Wertish, Minnesota Farmers Union
- Kevin Paap, Minnesota Farm Bureau
- Dustin Haaland, CHS Inc.
- Scott Hedderich, REG Company
- Kevin Thoma, Minnesota Petroleum Marketers Association
- Kelly Marczak, American Lung Association of Minnesota
- Steve Rupp, Ever Cat Fuels
- Ralph Groschen, At large member
- Gary Mead, Minnesota State University Mankato
- Doug Root, AURI
- Brett Webb, Flint Hills Resources, LP
- John Hausladen, Minnesota Trucking Association
- Chris Hill, Minnesota Soybean Growers Association
- Bruce Heine, Magellan Midstream Partners, LP

Implementation of Minnesota's Biodiesel Requirements

B10 Implementation

The mandate was implemented on July 1, and ran through September 30 for 2014, and from April 1 through September 30 this past year.

Changes to Minn. Stat. § 239.77 in 2014

During the regular legislative session for 2014 a number of changes were made to Minn. Stat. § 239.77.⁴ These changes included:

- The date of implementation for the B20 mandate was changed to May 1, 2018.
- The months for the B10 mandate (and eventual B20 mandate) were changed from April through October to April through September.
- Subdivision 3 was retitled Exempt Equipment and a sixth sector was added to the list. All exempt equipment carries no sunset date except nuclear, which will expire 30 days after the Nuclear Regulatory Commission would approve the use of biodiesel in motors at electric generating plants under its regulation.
- #1 diesel fuel is exempt from blending with biodiesel year-round until May 1, 2020.

No changes were made to the Minn. Stat. § 239.77 in 2015. A paragraph was added to Minn. Stat. § 239.751 allowing the term diesel fuel to advertise any fuel approved for use in compression ignition (diesel) engines. This paragraph ensures that retailers do not have to incur costs to update boulevard signs, canopies, and pump labels seasonally as the mandated levels of biodiesel change.⁵

ASTM Specifications

ASTM is the premier international industry association that designates quality specifications for a wide variety of industrial products including fuels and lubricants. In 2013, the Minnesota Legislature adopted the use of the D975-12a diesel standard. This specification of the standard does include up to 5% biodiesel with D975 being the general diesel specification for ASTM. The state waiver for biodiesel blending in #1 fuel still addresses the concern for blending biodiesel into #1 diesel in Minnesota, and is now in effect until May 1, 2020.⁶ Subsequent changes and additions have been made to D975 since 2012. The current version is D975-15c.

The most current version of the biodiesel specification – “Standard Specification for Biodiesel Fuel Blend Stocks for Middle Distillate Fuels”, is D6751-15b. In 2012 this standard began specifying four grades of biodiesel, which includes the #1 specification for cold temperature blending:

- Grade 1-B S15-A: special purpose biodiesel blendstock intended for middle distillate fuel applications requiring good low temperature operability and requiring a fuel blend component with 15 parts per million (ppm) sulfur maximum.
- Grade 1-B S500-A: special purpose biodiesel blendstock intended for middle distillate fuel applications requiring good low temperature operability and requiring a fuel blend component with 500 ppm sulfur maximum.

⁴ 2014 Laws of Minnesota, Chapter 181, Section 9.

⁵ See revised Minn. Stat. § [239.751, subd. 4a](#).

⁶ Minn. Stat. § 239.77, subd. 3a(b).

- Grade 2-B S15-A: general purpose biodiesel blendstock for middle distillate fuel applications that require a fuel blend component of 15 ppm maximum.
- Grade 2-B S500-A: general purpose biodiesel blendstock for middle distillate fuel applications that require a fuel blend component of 500 ppm maximum.

Currently, the use of the new #1 grade biodiesel is entirely voluntary. The version of the standard used in Minnesota Statute is D6751-11b.

The ASTM “Standard Specification for Diesel Fuel Oil, Biodiesel Blend (B6 to B20)” was approved in 2008 as D7467. The standard establishes specifications for biodiesel blends including B10 and B20, which are proposed for general usage in Minnesota in the years 2012 for B10 (actual implementation July 1, 2014) and 2018 for B20. The standard was updated this past year. The current version is D7467-15c.

Cold Weather Issues

No additional issues due to the use of biodiesel in #2 diesel fuel have been reported due to cold weather. Minnesota biodiesel blenders have been using more restrictive specifications that reduce the amount of monoglyceride and the cold soak filtration time even before the #1 biodiesel specification in ASTM D6751 was adopted. These industry practices, along with the yearlong waiver for blending biodiesel into #1 diesel fuel (that continues into 2020) have made for minimal fuel gelling issues for B5 winter blend with #2 diesel during the cold weather season.

Diesel fuel users are encouraged to contact the Diesel Help Line regarding any cold weather diesel fuel issues.⁷

Biodiesel Quality and Renewable Identification Number (RIN) Reliability

The National Biodiesel Accreditation Program is a cooperative and voluntary program for the accreditation of producers and marketers of biodiesel fuel called BQ-9000[®]. The program is a unique combination of the ASTM standard for biodiesel, ASTM D6751, and a quality systems program that includes storage, sampling, testing, blending, shipping, distribution, and fuel management practices. The REG plant in Glenville and the Minnesota Soybean Processors in Brewster are certified producers under this program.⁸ Most state purchasing programs currently require BQ-9000[®], including Minnesota’s Metro Transit.

There are now programs within the United States Environmental Protection Agency’s (USEPA’s) Quality Assurance Program that ensure validity of Renewable Identification Numbers, or RINs (explained and discussed in the next section) generated by producers. These programs are again voluntary and can be used to reduce the risk of fraud in the RIN trading market.

Diesel and Biodiesel Prices

The Renewable Fuel Standard

In 2007 the federal Energy Independence and Security Act (EISA) was passed by Congress and signed by President Bush, revising the Renewable Fuel Standard (RFS2) that was already in place. This law requires refiners and/or importers of petroleum (also known as obligated parties) to blend increasing

⁷ The Diesel Helpline can be reached at 1-800-929-3437.

⁸ [BQ-9000 Program website](#).

volumes of biofuels on an annual basis. Volumes set by Congress and modified by the USEPA are divided proportionally among all obligated parties, giving each obligated party a total amount of biofuel that they will need to show compliance for blending.⁹

Every gallon of biofuel produced that qualifies for RFS2 carries with it a Renewable Identification Number, or RIN. The RIN is used by the obligated party to show compliance with RFS2. RINs can be used as compliance, or “retired”, by an obligated party in two ways:

1. Gallons of biofuel are blended with petroleum fuels. Once biofuel is blended the RIN can be “separated” from the fuel it is associated with and retired.
2. RINs can be purchased in the RIN market. Obligated parties that blend more fuel than their obligation requires, or fuel distributors that are not refiners and/or importers of petroleum (also referred to as “third party blenders”), can sell RINs into the market after fuel is blended.

In case #2, the value obtained by selling the RIN represents another income stream for the obligated party or the third party blender.

The Federal Tax Credit

Since 2005 a tax credit of \$1 has been in place for blending of a gallon of biodiesel. The tax credit has expired four times over the last six years (including at the end of 2014), but has been reinstated retroactively in all four of those years. For the years of 2014 and 2015, the tax credit was not reinstated until late December.

Rack Pricing

The following section addresses diesel pricing based on fuel terminal prices, also known as rack pricing. Fuel terminals often exist at refineries or at the end of pipeline locations. This section will also report biodiesel blend prices sold from the rack. While this section only provides rack pricing, we attempt to describe the effect of the federal tax credit and the RIN market as they should be reflected at the pump. Rack prices may also not be a true reflection of what a buyer would actually pay for a gallon of product as agreements between the seller and buyer may employ volume discounts, early pay discounts or other “non-reported” considerations.

Diesel prices at terminals statewide and across Minnesota’s borders—to the south (Omaha, Nebraska) and west (Denver, Colorado)—have shown remarkably close pricing historically. Table 1 compares average yearly prices for ultra-low sulfur diesel and displays the yearly ranges over the past seven year period.

⁹ Annual volumes for four types of biofuel are set annually and are referred to as the Renewable Volume Obligations, or RVO’s. The categories are conventional biofuel (or corn starch ethanol), biodiesel, advanced biofuel, and cellulosic biofuel. Biodiesel can also be used to satisfy the advanced biofuel obligation in addition to the biodiesel obligation.

Table 1. Diesel Pricing by City (Average of Terminals Reporting), 2009-2015.

| City/Region, State | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Alexandria, MN | 1.7600 | 2.2860 | 3.1357 | 3.1954 | 3.1503 | 2.9433 | 1.7246 |
| Denver, CO | 1.7377 | 2.2975 | 3.1170 | 3.1985 | 3.1201 | 2.9420 | 1.7002 |
| Duluth, MN | 1.7532 | 2.3006 | 3.1639 | 3.2095 | 3.1617 | 2.9719 | 1.7318 |
| Fargo, ND | 1.7660 | 2.2941 | 3.1459 | 3.2117 | 3.1614 | 2.9619 | 1.7372 |
| Grand Forks, ND | 1.7628 | 2.2899 | 3.1424 | 3.2086 | 3.1591 | 2.9593 | 1.7364 |
| Mankato, MN | 1.7515 | 2.2740 | 3.1190 | 3.1843 | 3.1437 | 2.9271 | 1.7130 |
| Marshall, MN | 1.7538 | 2.2811 | 3.1223 | 3.1874 | 3.1407 | 2.9334 | 1.7134 |
| Omaha, NE | 1.7268 | 2.2513 | 3.0991 | 3.1711 | 3.1069 | 2.8957 | 1.7047 |
| Rochester, MN | 1.7437 | 2.2714 | 3.1198 | 3.1795 | 3.1388 | 2.9259 | 1.7097 |
| Sioux Falls, SD | 1.7375 | 2.2617 | 3.1084 | 3.1776 | 3.1204 | 2.9100 | 1.7071 |
| Superior, WI | 1.7616 | 2.3087 | 3.1755 | 3.2040 | 3.1565 | 2.9707 | 1.7197 |
| Minneapolis-St. Paul, MN | 1.7456 | 2.2741 | 3.1236 | 3.1832 | 3.1298 | 2.9357 | 1.7326 |
| Low | 1.7268 | 2.2513 | 3.0991 | 3.1711 | 3.1069 | 2.8957 | 1.7002 |
| High | 1.7660 | 2.3087 | 3.1755 | 3.2117 | 3.1617 | 2.9719 | 1.7372 |
| Difference-Range | 0.0391 | 0.0574 | 0.0764 | 0.0405 | 0.0548 | 0.0762 | 0.0370 |

Source: Minnesota Department of Agriculture summary of Axxis pricing data through December 31, 2015.

Table 2 shows rack pricing of #2 diesel and biodiesel blends at the Minneapolis-St. Paul (MSP) terminals since 2009. This is the year when the first step-up in the state mandate occurred with the move from B2 to B5 on May 1, 2009. These are the average of prices reported through the MDA's subscription to AXXIS.¹⁰

¹⁰ AXXIS Software is an OPIS company, Two Washingtonian Center, 9737 Washingtonian Blvd., Suite 200, Gaithersburg, MD 20878; www.axxispetro.com.

Table 2. MSP Rack Diesel and Biodiesel Average Prices with Net Price Impact of Blends.

| Year (Blend Mandate) | Average Rack Diesel Price | Rack B2 Price | Rack B5 Price | Rack B10 Price | Rack Average Mandate Blend Price | Net Impact Price of Biodiesel Blend |
|--|---------------------------|---------------|---------------|----------------|----------------------------------|-------------------------------------|
| 2009(B2/B5) | \$1.7456 | | | | \$1.7891 | \$0.0435 |
| 2009 (1-4 to 4-30) B2) | \$1.4120 | \$1.4421 | | | | \$0.0302 |
| 2009 (5-1 to 12-31)(B5) | \$1.9176 | | \$1.9679 | | | \$0.0503 |
| 2010 (B5) | \$2.2741 | | \$2.3372 | | | \$0.0631 |
| 2011(B5) | \$3.1236 | | \$3.2266 | | | \$0.1030 |
| 2012(B5) | \$3.1832 | | \$3.2488 | | | \$0.0656 |
| 2013(B5) | \$3.1298 | | \$3.1703 | | | \$0.0405 |
| 2014(B5/B10) | \$2.9357 | | | | \$2.9539 | \$0.0181 |
| 2014 (1-2 to 6-30, 10-1 to 12-31) (B5) | \$2.9300 | | \$2.9476 | | | \$0.0176 |
| 2014 (7-1 to 9-30) (B10) | \$2.9529 | | | \$2.9724 | | \$0.0195 |
| 2015 B5/B10) | \$1.7138 | | | | \$1.7433 | \$0.0294 |
| 2015 (1-2 to 3-30, 10-1 to 12-31) (B5) | \$1.6227 | | \$1.6473 | | | \$0.0246 |
| 2015 (4-1 to 9-30) (B10) | \$1.8042 | | | \$1.8384 | | \$0.0342 |

Impact of Federal Tax Credit

The Federal Tax Credit can be claimed only by the blender which can be the obligated party. The federal tax credit for 2014 was passed December 19, 2014, and is effective only for 2014. The credit for 2015 was passed retroactively on December 18 and extends the credit through 2016.

Discussion occurred over the past year about the possibility of changing the blender’s tax credit to a production tax credit that would be payable to the biodiesel fuel producer. In the end that did not materialize but remains a possibility for the future.

Biodiesel production reached its highest mark to date in 2013 at 1.8 billion gallons but fell off in 2014 to 1.75 billion. It is speculated that uncertainty over both the return of the federal tax credit and final Renewable Volume Obligations (RVO’s) under RFS2 have caused production numbers to plateau in recent years.

Third Party Blenders and Impact of RIN’s

When the net price for B100 (price minus impact of the blender’s tax credit and RIN) is less than the price paid for #2 diesel, a higher percent of biodiesel blended in the fuel makes for a lower cost of the

resulting blended fuel. Figure 1 shows the 2015 trend for the price of the mandated blend (B5/B10) and projected costs for blends of B5/B10/B20.¹¹

Figure 1: Week-by-Week Profit Potential: MSP Rack B5 Price, and Calculated B5, B10, and B20 Price using Rack #2 Diesel and Plant Average B100 with the Retroactive \$1 Tax Credit and RIN Subtracted.

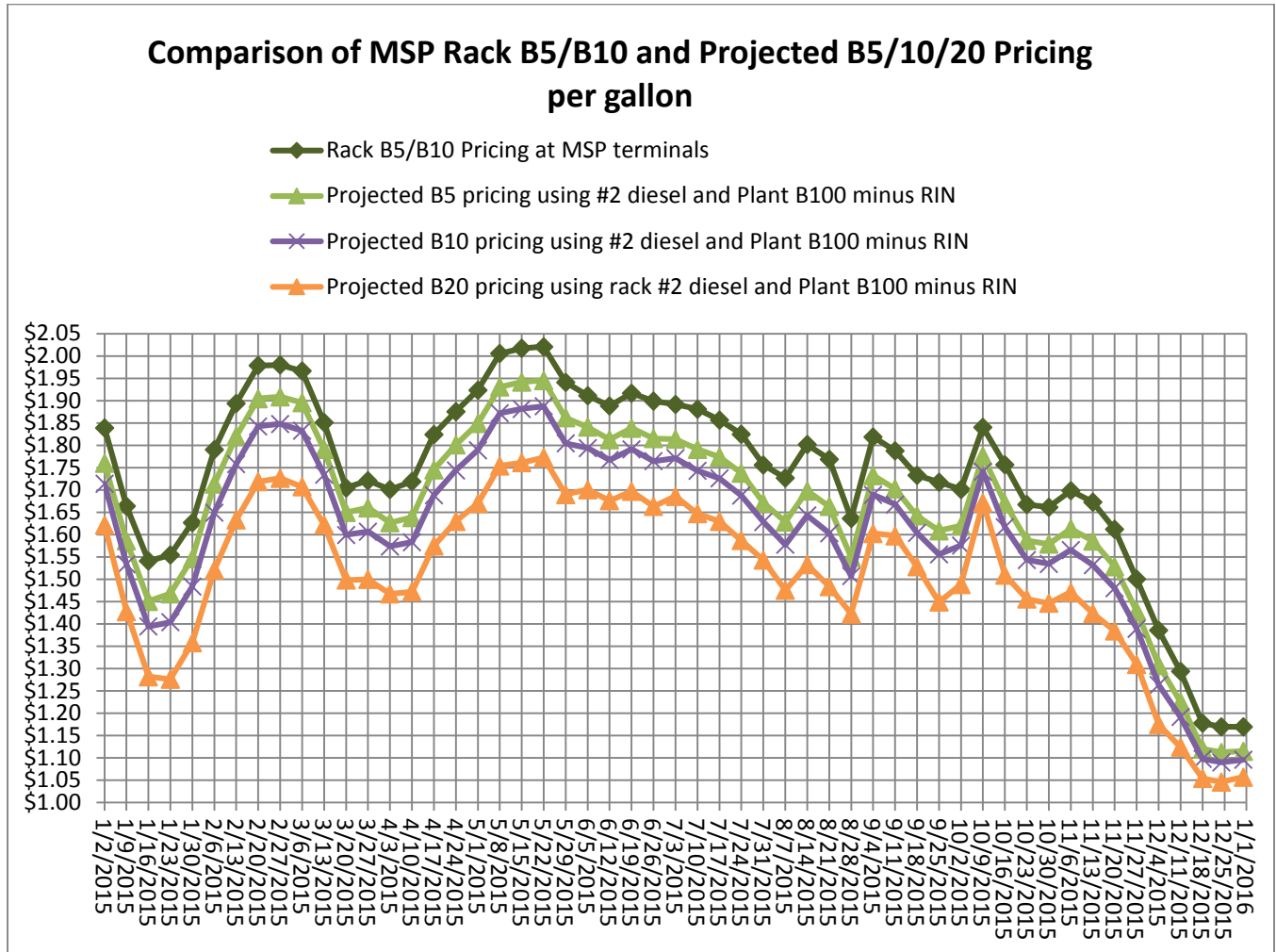
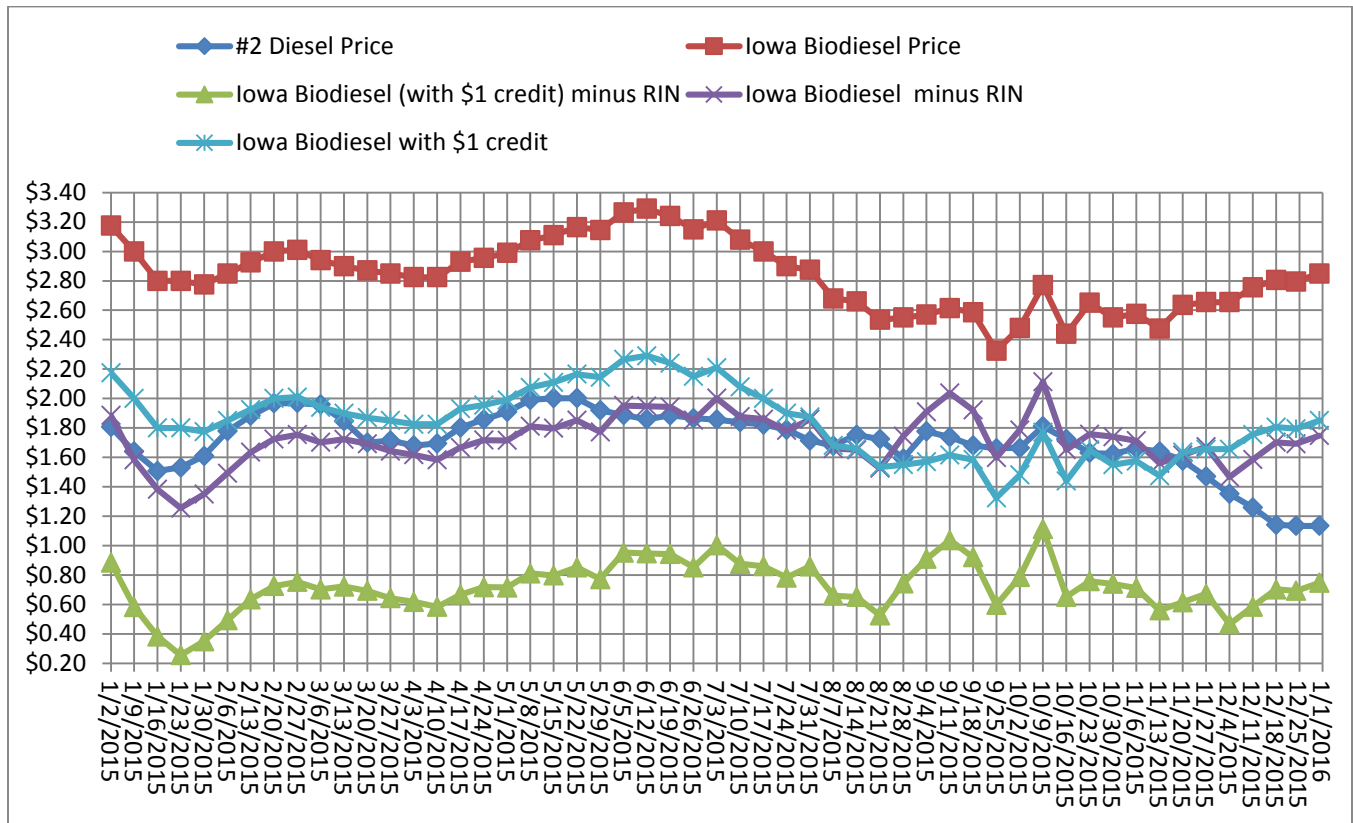


Figure 2 shows the pricing trends for #2 diesel and B100 (Iowa plants average price); and B100 average price with the \$1 blender’s tax credit, the RIN, and then both tax credit and RIN removed. Here you can see clearly the effect the tax credit and RIN have on the price of B100, and the price of B100 with the various deductions relative to #2 diesel. This is included to visually show the effects that the \$1 tax credit and RIN trading bring to the market.

¹¹ Projected price = (Pb * %b) + (Pd * %d) where Pb = average price of biodiesel at Iowa biodiesel plants report Fridays by AMS, Pd = average price of #2 diesel at Minneapolis-St. Paul terminal locations as reported by AXXIS, %b = percent of biodiesel in blended fuel, and %d = percent of #2 diesel in blended fuel.

Figure 2: #2 Diesel Price (MSP Rack), Iowa B100 Price (as Reported by the Biodiesel Plants to AMS), Iowa B100 minus the \$1 tax credit (with and without the RIN subtracted) and the B100 Price with just the RIN Removed.



Summary

If the price component of biodiesel as reflected at the pump (feedstock costs + production costs + distribution costs) is less than diesel pump prices, then biodiesel blending is economically viable. The tax credit and RINs, in theory, bring that total to a level where blending makes economic sense and blenders are incentivized to put in place blending and storage infrastructure. Additionally, in theory, the consumer who is buying diesel is not penalized by any mandated biodiesel blending.

Less industry instability would exist with the tax credit in place at the beginning of the year (as it will be in 2016), as production is not capped by RINs and RFS2. More aggressive biodiesel/advanced biofuel Renewable Volume Requirements (RVOs) also increase demand for biodiesel.

In November the USEPA set the RVOs for 2014 through 2017. Table 3 shows the upward trend.

Table 3. Renewable Volume Requirements for Biodiesel.

| Year | RVO (in billions of gallons) |
|-------------|-------------------------------------|
| 2012 | 1.00 |
| 2013 | 1.28 |
| 2014 | 1.63 |
| 2015 | 1.73 |
| 2016 | 1.90 |
| 2017 | 2.00 |

Biodiesel can also be used to satisfy an obligated party's requirement in the advanced biofuel category. The advanced biofuel blending volume under RFS2 also continues to rise modestly through 2016 with a total of 1.48 billion gallons set for non-cellulosic advanced biofuel.

The net cost of biodiesel to the blender is dependent on a number of variables. The section on RINs and pricing for the third party blender is included to show the different market dynamics for that demographic and is by no means the only cost consideration to those blenders.

Biodiesel Supply

The supply of biodiesel fuel to Minnesota terminals has been nearly constant. Although B5/B10 outages did occur because B100 deliveries had not arrived at terminals, the more common reason for blend outages was equipment taken down for servicing or required federal inspections.¹²

¹² Minnesota Department of Commerce, Division of Weights and Measures.

Impact of Minnesota's Biodiesel Requirements

Production Capacity

Assuming approximately 919 million gallons of annual state diesel fuel use,¹³ it is estimated that the B5/B10 mandate requires 69 million gallons of biodiesel and the B5/B20 mandate would require 115 million gallons of biodiesel to meet state blending requirements.¹⁴ The state's existing 63 million gallons of production capacity therefore provides 91.4% for B5/B10, and 54.8% of that required for B5/B20. These percentages are enough to meet the statutory requirement needed for B10 and a move to B20 if that were to occur today.¹⁵

Diesel usage for 2014 was up 12 million gallons from the approximate total usage of 907 million gallons in 2013 in the sectors where biodiesel blending is required in Minnesota per the federal Energy Information Agency (EIA). Diesel usage has been up overall every year since 2009, rising at a fairly linear rate. At the rate of diesel fuel usage increase since 2009 the 63 million gallons of production may not be adequate to meet statutory requirements for in-state production for a move to B20 in 2018. However, our existing plants have additional capacity currently available due to process efficiency improvements. Minnesota Soybean Processors in Brewster testified before the USEPA that they currently process only 50% of the soybean oil they produce to make the 30 million gallons per year, and it would not require major engineering modifications to increase biodiesel refining an additional 30 million gallons annually.

The statutory increase to B20 is more than two years away at this time, and will be monitored as the May 1, 2018 date approaches.

Feedstocks

The feedstocks used at biodiesel plants are generally determined by the price and availability of oil or fat products and the ability of plants to process oil being considered. Minnesota Soybean Processors will use oil from their soybean crushing plant. The REG plant located in Glenville completed a \$20 million upgrade in 2013 that allows them to process lower cost fats and oils such as inedible corn oil from ethanol plants. The Ever Cat fuels plant in Isanti has the capacity to produce biodiesel out of plant and animal fats, spent cooking oil, and even fatty acid materials from various industrial sources. With these contributions from the REG and Ever Cat plants using non-soybean feedstock, the statutory requirement for using non-traditional sources is easily met.

¹³ U.S. Energy Information Agency, [2014 Distillate Fuel Oil and Kerosene Sales by End Use](#).

¹⁴ B10 and B20 would only be effective during the summer months of April, May, June, July, August, and September; during the "winter" months, the amount of biodiesel blended with #2 diesel would revert back to 5%.

¹⁵ Minn. Stat. § 239.77, Subd. 2(b)(2).

Appendix: Minnesota Biodiesel Task Force Member Comments

The State of Minnesota continues to seek opportunities to reduce emissions from mobile sources. Increasing use of biodiesel blends is one tool that can help us meet that goal. For example, the current B10/B5 blend is estimated to prevent 163 tons of particulate matter, 216 tons of hydrocarbon and 1,820 tons of carbon monoxide emissions. In addition, it prevents 671,000 tons of lifecycle greenhouse gas emissions, the equivalent of removing 128,000 passenger vehicles from the road each year.

Kelly Marczak
Senior Regional Director, Clean Air Programs
American Lung Association in Minnesota