Chart of the Week #2022-04
Foregone Tax Revenues from U.S. Federal Biodiesel Tax Credits

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Photo source: Missouri Soybeans
Foregone Tax Revenues from U.S. Biodiesel Tax Credit (BTC) Programs

$Billions

- BTC
- Estimated

Analysis Based on EIA & CRS Data

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Biodiesel is a biofuel produced from various feedstocks, mostly from dedicated feedstocks are soybean and canola oil.

Rather than sold at a 100% (as B100), biodiesel is blended with petroleum diesel in percentages ranging from 5% to 20% (B5 to B20).

With rationales that include favoring domestic production over imports as well as the development of alternative fuels, the U.S. government provides two notable programs for biodiesel: the Biodiesel Tax Credit (BTC) and the Renewable Fuels Standard (RFS).

The BTC was first enacted in 2004 under the American Jobs Creation Act. Given that the 2004 law had an expiration provision, the BTC has been extended five times since 2011, in some cases retroactively. Because feedstock costs are higher than petroleum ones for biodiesel, the BTC is offered as a Blender Tax Credit. Since enactment, it has been $1.00 per gallon.

First passed in 2005 and then enhanced in 2007, the RFS mandates increasing percentages of biofuels, including biodiesel. By statute, EPA is required to set these mandates annually.

Because of the uncertainty of reenactment, there are no consistent long-range authoritative estimations of U.S. foregone tax revenues. But applying the $1.00 credit amount coupled with EIA's U.S. biodiesel consumption data, EPRINC estimates that U.S. foregone revenues from the BTC rose from $0.1 billion in 2009 to $0.8 billion in 2013. Since then, they have ranged between $0.8 and $1.0 billion annually. Furthermore, EPRINC projects that this is set to continue through 2024.

This is a conservative estimate and in contrast to estimates offered by the Congressional Research Service (CRS) and EIA-commissioned studies. One EIA commissioned study determined that the BTC taxpayer cost was $2.7 billion in 2016, up from $0.55 billion in 2010. CRS has offered estimates for 2017 and 2018 of $2.1 and $3.4 billion, respectively.

This slide deck is available at: https://eprinc.org/chart-of-the-week/

For more information on this chart, please contact Max Pyziur (maxp@eprinc.org).