RFA RENEWABLE FUELS ASSOCIATION

October 19, 2016

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| The Honorable Paul Ryan<br>Speaker of the U.S. House<br>Washington, DC 20515 | The Honorable Nancy Pelosi<br>U.S. House Democratic Leader<br>Washington, DC 20515 |
| The Honorable Mitch McConnell<br>U.S. Senate Majority Leader<br>Washington, DC 20510 | The Honorable Harry Reid<br>U.S. Senate Democratic Leader<br>Washington, DC 20510 |
| The Honorable Kevin Brady<br>Chairman<br>U.S. House Committee on<br>Ways and Means<br>Washington, DC 20515 | The Honorable Sander Levin<br>Ranking Democratic Member<br>U.S. House Committee on<br>Ways and Means<br>Washington, DC 20515 |
| The Honorable Orrin Hatch<br>Chairman<br>U.S. Senate Finance Committee<br>Washington, DC 20510 | The Honorable Ron Wyden<br>Ranking Democratic Member<br>U.S. Senate Finance Committee<br>Washington, DC 20510 |

Dear Speaker Ryan, Democratic Leader Pelosi, Majority Leader McConnell, Democratic Leader Reid, Chairman Brady, Ranking Member Levin, Chairman Hatch and Ranking Member Wyden,

We are writing today to urge Congress to pass a multi-year extension of the tax incentives currently scheduled to expire at the end of 2016; in particular, the Second Generation Biofuel Producer Tax Credit (PTC), the Special Depreciation Allowance for Second Generation Biofuel Plant Property, and the Alternative Fuel Vehicle Refueling Property Credit.

The U.S. biofuel industry is at a critical stage in its development. The U.S. has made significant progress over the last several years in advanced and second generation biofuel production technologies because of the success of the Energy Independence and Security Act of 2007 (EISA). However, inconsistent and uncertain biofuel and tax policies threaten to undermine that progress and run the risk of jeopardizing our role as an industry leader by discouraging further second generation biofuel development in the U.S. Moreover, while the

U.S. is the world's leading producer of low-cost, clean biofuels like ethanol, it continues to suffer significant infrastructure challenges and obstacles in making approved higher blends of this clean and affordable fuel available to American consumers. By extending these incentives, Congress will assure the policy certainty the industry needs to continue to grow, innovate and flourish, while encouraging further investment to help expand fuel choices for consumers at the pump.

With the help of the Second Generation Biofuel PTC and the Special Depreciation Allowance for Second Generation Biomass Plant Property, the U.S. biofuel industry has been able to bring online four, state of the art, commercial-scale cellulosic ethanol facilities to date. These facilities have made the U.S. the world leader in second generation biofuel development. However, due to the uncertainty and inconsistency surrounding the future of biofuel and biofuel tax policy in the U.S., many future plans for cellulosic ethanol production facilities have been shelved, or moved to overseas locales including competitor countries like Brazil and Spain.

In addition to the new cellulosic bio-refineries brought on line over the last two years, it is important to note there are many existing grain facilities developing "bolt-on" technologies that allow for the use of second generation feedstocks in the production process. These hybrid facilities use existing first generation refineries to produce second generation ethanol by building additional operation systems to capture and process advanced and cellulosic feedstocks. These facilities are critical to the growth of the industry in that they may provide for a more immediate path to producing the volumes of second generation biofuel called for under the Renewable Fuels Standard (RFS).

Just as these facilities are beginning to produce their first gallons of second generation biofuel, or are on the cusp of production, the incentives designed to help them commercialize are set to expire without prompt Congressional action.

Another important incentive that requires an extension is the Alternative Fuel Vehicle Refueling Property Credit (Infrastructure Credit). Today, fuel retailers face significant financial challenges in their efforts to upgrade their fuel delivery pumps, system and tanks to allow them to deliver alternative fuels such as E85. Over the past decade, major oil companies have largely disinvested in downstream blending assets. Consequently, today more than 50 percent of fuel stations are owned by small, "mom and pop" businesses with only one station location. The recent and anticipated innovations in fuel and engine technology have made it difficult for these small businesses to stay ahead of the technology demands of today's available fuel choices. The Infrastructure Credit provides these fuel retailers with a tax credit for investments made to upgrade their fuel delivery systems, allowing for the sale of such alternative fuels. It would help retailers make the necessary investments in their infrastructure to provide consumers with more fuel choices at the pump and allow the goals of the RFS to be met.

While we continue to recognize the need for reforming the entire energy tax code to provide more parity for renewables like biofuel, it is equally important that we do not cause undue harm to the industry by letting important industry incentives expire while we wait for reform efforts to materialize in Congress.

Therefore, we strongly urge Congress to move quickly to maintain and extend these important tax incentives.

Sincerely,

Bob Dinneen
President