

Earning Biodiesel Fuel Use Credits Under Standard Compliance

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Preface

Biodiesel fuels are clean-burning diesel replacement fuels made from natural, renewable sources such as vegetable oils. Covered fleets complying under the Standard Compliance option of the U.S. Department of Energy's (DOE) Alternative Fuel Transportation Program (Program; 10 C.F.R. Part 490) may satisfy a portion of their Energy Policy Act of 1992 (EPAAct) requirements through the purchase of biodiesel fuel for use in medium- or heavy-duty vehicles (MD/HDs)¹.

One biodiesel fuel use credit, which is counted as one alternative fuel vehicle (AFV) acquisition, is allocated for the purchase for use in MD/HDs of every 450 gallons of neat biodiesel fuel.² Neat biodiesel fuel is 100% biodiesel (B100) by volume.

A fleet also may obtain a biodiesel fuel use credit if it purchases biodiesel blends of B20 (20% biodiesel and 80% petroleum diesel) or greater for use in MD/HDs. When purchasing biodiesel blends, however, a fleet may count only the neat biodiesel portion of the blend toward the allocation of a biodiesel fuel use credit.

Earning biodiesel fuel use credits may be an important means for a fleet to achieve compliance under Standard Compliance. For a fleet unable to satisfy its AFV-acquisition requirements through the normally available compliance alternatives, DOE expects the fleet will use biodiesel to the maximum extent allowed.

Example

A fleet purchases 2,250 gallons of B20 (20% biodiesel) fuel for use in its medium- or heavy-duty vehicles and seeks a biodiesel fuel use credit. To determine the gallons that can be credited under the Program, the number of gallons of B20 is multiplied by 0.20 to calculate the neat biodiesel portion of the blend.

The result: The fleet may receive credit for 450 gallons of neat biodiesel, which is equal to one AFV acquisition.

$$\begin{array}{r} \mathbf{2,250 \text{ gallons of B20}} \\ \times \mathbf{.20} \\ \hline \mathbf{450 \text{ gallons of neat biodiesel}} \end{array}$$

¹ Covered fleets complying with EPAAct requirements under the Alternative Compliance option of the Program also may use biodiesel blends to meet their applicable requirements. Under Alternative Compliance, there are slightly different rules governing biodiesel use. For example, under Alternative Compliance, biodiesel can be used in blends less than 20% as well as in light-duty diesel vehicles. Learn more about Alternative Compliance at eere.energy.gov/vehiclesandfuels/epact/state_alt_compliance.html.

² Biodiesel is defined as a diesel fuel substitute produced from nonpetroleum renewable resources that meets the registration requirements for fuels and fuel additives that the Environmental Protection Agency established under section 211 of the Clean Air Act, including biodiesel derived from: (i) animal wastes, including poultry fats and poultry wastes, and other waste materials; or (ii) municipal solid waste and sludges and oils derived from wastewater and the treatment of wastewater. See 10 CFR 490.702.

Allocating Biodiesel Fuel Use Credits

Fleets must meet all of the following conditions to receive a biodiesel fuel use credit:

- The fuel purchased for use must be in blends of at least 20% biodiesel. If higher-percentage blends (or B100) are purchased for blending on site, the resulting blend must be at least 20% biodiesel when used in vehicles.
- The fuel must have been purchased for use in vehicles with a gross vehicle weight rating of more than 8,500 lbs. Biodiesel purchased for non-qualifying uses (such as for use in generator sets or light-duty diesel vehicles) may not be counted.
- The fuel must not have been used in AFVs for which an EPA Act AFV credit has already been claimed (i.e., banked).
- Federal or state law must not have required biodiesel fuel use when the fuel was purchased.
 - If a law required biodiesel fuel use when the fuel was purchased, the fleet may count only the amount that is in excess of the legal requirement. For example, if a state law sets forth a B2 use requirement, the fleet may only receive credit for 18% of the biodiesel blend purchased for use as B20 (20% minus 2%), rather than the full 20%.
- Biodiesel fuel use credits may only be used in the model year in which they are generated; they may not be banked for use in future years. Also, these credits are not eligible for trade or sale to other fleets.
- The total amount of biodiesel purchases claimed must be the net amount of biodiesel the reporting fleet purchased for use.³ Any amount of biodiesel sold or otherwise provided to any other user must not be included in the biodiesel purchases reported. Fleets must maintain and retain purchase records verifying relevant information for three years from the December 31 that follows the close of the model year for which this request is submitted.

Renewable Diesel

In order to receive a biodiesel fuel use credit for the purchase of renewable diesel for use in MD/HD diesel vehicles, the following conditions apply:

- The renewable diesel must meet the definition of “biodiesel” in 10 CFR section 490.702. That is, the renewable diesel must be (1) produced from nonpetroleum renewable sources, and (2) registered with the U.S. Environmental Protection Agency under section 211 of the Clean Air Act. If the fuel meets these two criteria, a covered fleet may earn biodiesel fuel use credits for the purchase and use of the renewable diesel in its medium- or heavy-duty vehicles.
- As indicated above, under 10 CFR 490.703(b)(1), biodiesel fuel use credits cannot be earned for any renewable diesel meeting the definition of “biodiesel” that is purchased for use in an AFV that the covered fleet has acquired, and the AFV is one for which the fleet has earned credit in a prior model year or seeks to earn credit in the current model year.

³ Note that the entire quantity of biodiesel fuel purchased does not have to be used before the end of the model year in which the purchase(s) was (were) made.

Calculating Biodiesel Fuel Use Credits

The following rules must be followed to calculate credits for using biodiesel fuel under Standard Compliance.

- Except for biodiesel providers, biodiesel fuel use credits may account for no more than 50% of a fleet's annual AFV-acquisition requirements. Biodiesel fuel providers⁴ may satisfy up to 100% of their acquisition requirements through biodiesel fuel use credits.
- When DOE determines if a fleet is in compliance with the AFV-acquisition requirements, biodiesel fuel use credits are counted first, up to their allowable limit, and then AFV acquisitions are counted. If this results in excess AFV acquisitions, the excess may be banked as AFV credits for use in future years. Thus, even though biodiesel fuel use credits themselves may not be banked or sold, when used in conjunction with AFV acquisitions or other creditable actions, a fleet may end up with bankable or salable AFV credits.
- Rounding up of biodiesel fuel use credits is not allowed; each allocation of a biodiesel fuel use credit requires that the full 450 gallons of biodiesel be purchased for use in medium- or heavy-duty vehicles.

⁴ A "biodiesel fuel provider" is a covered entity whose principal business (the sales-related activity that produces the greatest gross revenue) is producing, storing, refining, processing, transporting, distributing, importing, or selling at wholesale or retail biodiesel fuel. This does not include entities whose principal business is: (1) transforming biodiesel fuel into a product that is not a fuel or (2) consuming biodiesel fuel as a feedstock or fuel in the manufacture of a product that is not biodiesel fuel.

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