

**RES Polyflow Statement for the Record
Submitted to the U.S. House of Representatives
Committee on Ways and Means, Subcommittee on Tax Policy
For Hearing on Post Tax Reform Evaluation of
Recently Expired Tax Provisions
March 14, 2018**

Chairman Buchanan, Ranking Member Doggett and members of the subcommittee,

My name is Michael Dungan, and I am the Director of Sales and Marketing at RES Polyflow based in Chagrin Falls, Ohio.¹ Today I am here to discuss Sections 6426(d) and (e) of the federal tax code, also known as the Alternative Fuel Credit and Alternative Fuel Mixture Credit. These fifty cents per gallon tax credits accrue to retail sellers and blenders of alternative fuels. My company manufactures systems that convert post-use, non-recycled plastics into gasoline and diesel blendstocks, naphtha and waxes. We do this via pyrolysis – an oxygen free process that does not involve burning. Together with three other pyrolysis companies we formed the Plastics-to-Fuel & Petrochemistry Alliance² at the American Chemistry Council (ACC) to promote greater understanding and advocate on behalf of these technologies. We are a fledgling industry that is creating alternative fuels while also providing a solution for non-recycled plastic destined for landfill. Parity and fairness in the federal tax code with other renewable and alternative energy technologies is important so our industry is not at a competitive disadvantage.

Providing parity for fuels derived from plastics via pyrolysis will not only deliver an alternative fuel, it will help reduce the volume of material that today taxpayers pay to landfill. Why? Because the U.S. EPA has calculated that Americans generate over 33 million tons of plastics in our waste stream every year.³ Plastics are a wonderful material that help us do more with less, but unfortunately we currently recycle less than 10%, or about 3 million tons, and about 25 million tons of those plastics get buried – and therefore wasted - in landfills or worse are at risk of being improperly managed and escaping into the environment. Recycling even greater amounts of plastics has become more challenging after China recently banned imports of many types of plastic scrap.⁴ Plastics make a particularly valuable feedstock for alternative fuels, because U.S.

¹ www.respolyflow.com

² <https://plastics.americanchemistry.com/Plastics-to-Fuel-Technologies-Alliance.html>

³ Advancing Sustainable Materials Management: 2014 Fact Sheet. U.S. Environmental Protection Agency. https://www.epa.gov/sites/production/files/2016-11/documents/2014_smmfactsheet_508.pdf

⁴ *Plastics Pile Up as China Refuses to Take the West's Recycling*. New York Times, January 11, 2018. <https://www.nytimes.com/2018/01/11/world/china-recyclables-ban.html>

manufactured plastics are primarily derived from natural gas which has a very high energy content.⁵

The Earth Engineering Center at Columbia University has conservatively calculated that if the United States converted all of its landfill bound plastics to transportation fuel via pyrolysis, those plastics could produce enough fuel to power 9 million cars for a year.⁶ And better yet – beyond keeping these plastics out of landfills, there are additional environmental benefits. Last year, the U.S. Department of Energy’s Argonne National Laboratory found that using ultra-low sulfur diesel derived from post-use, non-recycled plastics reduced greenhouse gas emissions by up to 14%, fresh water consumption up to 58% and fossil energy use up to a whopping 96%, compared to ultra-low sulfur diesel produced from traditional crude oil.⁷

There are also economic benefits. The ACC has conservatively calculated that the economic impact of plastics-to-fuel facilities in the U.S. would generate 39,000 jobs and produce \$9 billion in economic output each year.⁸ With over 300 million tons of plastics produced globally each year there is enormous potential to create additional jobs here in the U.S. by engineering, manufacturing and exporting these pyrolysis systems.

Chairman Buchanan, your home state of Florida understands this potential. Last year legislation signed into law by Governor Rick Scott created an appropriate regulatory climate for these technologies by recognizing that these technologies are high tech manufacturing facilities and not waste treatment facilities.⁹

In closing, I know there are many different opinions about the efficacy of these energy tax extenders. However, pyrolysis technologies are exactly the type of fledgling industry that smart, targeted federal tax policy can help jumpstart. If these energy tax credits for alternative and renewable technologies do get extended, it is an issue of fundamental fairness that technologies which convert post-use plastics into lower carbon fuels be included in a broadened definition of Alternative Fuel in 6426(d). Thank you.

Please feel free to contact me at mike.dungan@respolyflow.com or (330) 607-8977 or contact Craig Cookson, Senior Director, Recycling & Energy Recovery at (202) 249-6622 or craig_cookson@americanchemistry.com.

⁵ 2014 *Energy and Economic Value of Municipal Solid Waste (MSW) Including Non-Recycled Plastics (NRP) Currently Landfilled in the Fifty States*. Columbia University, Earth Engineering Center. Nickolas J. Themelis and Charles Mussche. <https://www.americanchemistry.com/Policy/Energy/Energy-Recovery/2014-Update-of-Potential-for-Energy-Recovery-from-Municipal-Solid-Waste-and-Non-Recycled-Plastics.pdf>

⁶ *Ibid*

⁷ *Life cycle analysis of fuels from post-use non-recycled plastics*. Fuel. Volume 203, 1 September 2017. 11-22. <https://www.sciencedirect.com/science/article/pii/S0016236117304775>

⁸ *Economic Impact of Plastics-to-Oil Facilities in the U.S.* American Chemistry Council, October 2014. <https://plastics.americanchemistry.com/Stand-Alone-Content/Economic-Impact-of-Plastics-to-Oil-Facilities.pdf>

⁹ *Florida House and Senate pass plastics-to-fuel bill*. Waste Today. May 5, 2017.

<http://www.wastetodaymagazine.com/article/florida-house-and-senate-pass-plastics-to-fuel-bill/>