



# Biodiesel: Industry Developments, Impact of EPA Act & State Programs

Presentation to the National Association of  
State Energy Officials (NASEO)

Tom Van Arsdall

Consultant to NBB & USB

*February 8, 2006*

**Based on Materials Prepared by**

Scott Hughes, Director, Government Affairs, NBB  
& Mark Palmer, Gordley Associates



# Biodiesel Benefits in Brief

- ◆ *Renewable, Domestic*
- ◆ *3.2 to 1 Positive Energy Balance*
- ◆ *Reduces Life Cycle CO<sub>2</sub> Emissions 78%*
- ◆ *Use in Existing Diesel Engines, Distribution Infrastructure*
- ◆ *High Lubricity-Great Complement to ULSD*
- ◆ *Health Benefits!!!*







## 2005 Production

- ◆ **75 Million Gallons-*Estimated***
- ◆ ***Less Than 1 Day Equivalent Diesel Fuel Consumption in U.S.***
- ◆ ***Where Ethanol Industry Was 25 Years Ago***
- ◆ ***Future is Bright—Strong Complement to ULS Diesel***



# Energy Policy Act of 2005

## ◆ Tax Policy:

- Extends Biodiesel VEETC Tax Credit through December 31, 2008;
- Creates a new Small Agri-biodiesel Producer Credit; AND
- Creates Alternative Fuels Installation Fuel Refueling Property



# Energy Policy Act of 2005

## ◆ Authorization Policy:

### ■ *Renewable Fuels Standard (RFS)*

- Title XV includes a national RFS slated for 7.5 billion gallons of biodiesel and ethanol by 2012, beginning with 4 billion gallons in 2006.



## *Could There Be More in 2006 & Beyond?*

- ◆ Tax Incentive Extension beyond 2008?
- ◆ National Alternative Diesel Program?
  - S. 1920, Sen. Barack Obama (D-IL), establishes a standard achieving 2 billion gallons of alternative/renewable diesels, mainly biodiesel, by 2015.
- ◆ President's Energy Security Initiative?



# State Initiatives Critical to the Industry

- ◆ State initiatives can eliminate market barriers for biodiesel.
- ◆ State biodiesel initiatives also create market opportunities.
- ◆ Supplement the benefit of federal initiatives to further enhance biodiesel's competitiveness and presence in the market.



# State Policies In Place

- ◆ **IL**-State Sales Tax Reduction/Exemption.
- ◆ **MN**-B2 Requirement.
- ◆ **IN**-Producer, Blender, Retailer Tax Credits.
- ◆ **PA**-Producer Incentive; School/City Use Reimbursement.
- ◆ **MO, KY, MS, ND, SD, TX, AR**-Production Incentives.
- ◆ **WA**-Production, Distribution Incentives.
- ◆ Several States-State Fleet Use/State Excise Tax Reduction.



# Strong Momentum

- ◆ States are increasingly taking proactive steps to implement policies to enhance the use of biofuels.
  - 2004 130 biodiesel specific bills 27 passed  
(30% increase over 2003)
  - 2005 170 biodiesel specific bills 31 passed  
(37 states)





# 2005 Legislative Activity

- ◆ States passing biodiesel related initiatives

AR (2)	IN (2)	MS	TN (2)
CA	KY	MT (2)	VA
CO	LA (2)	ND	VT (2)
DE	MD	NH	WI
IA	MN (3)	OK	
IL	MO (2)	SD	



# 2005 Legislative Activity

- ◆ AR—Biodiesel blend tax credit.
- ◆ IA—Infrastructure incentive.
- ◆ IL—Fuel cost differential rebate; infrastrucutre.
- ◆ IN—Tax credits.
- ◆ KY—Producer/blender tax credits.
- ◆ MO—Production incentive funding.



# 2005 Legislative Activity

- ◆ MS—Production incentive.
- ◆ MT—Tax credits.
- ◆ ND—Production; infrastructure incentives.
- ◆ OK—Production tax credit.
- ◆ TN—Fueling infrastructure incentive.
- ◆ WI—School district assistance.



# 2005 Regulatory Activity

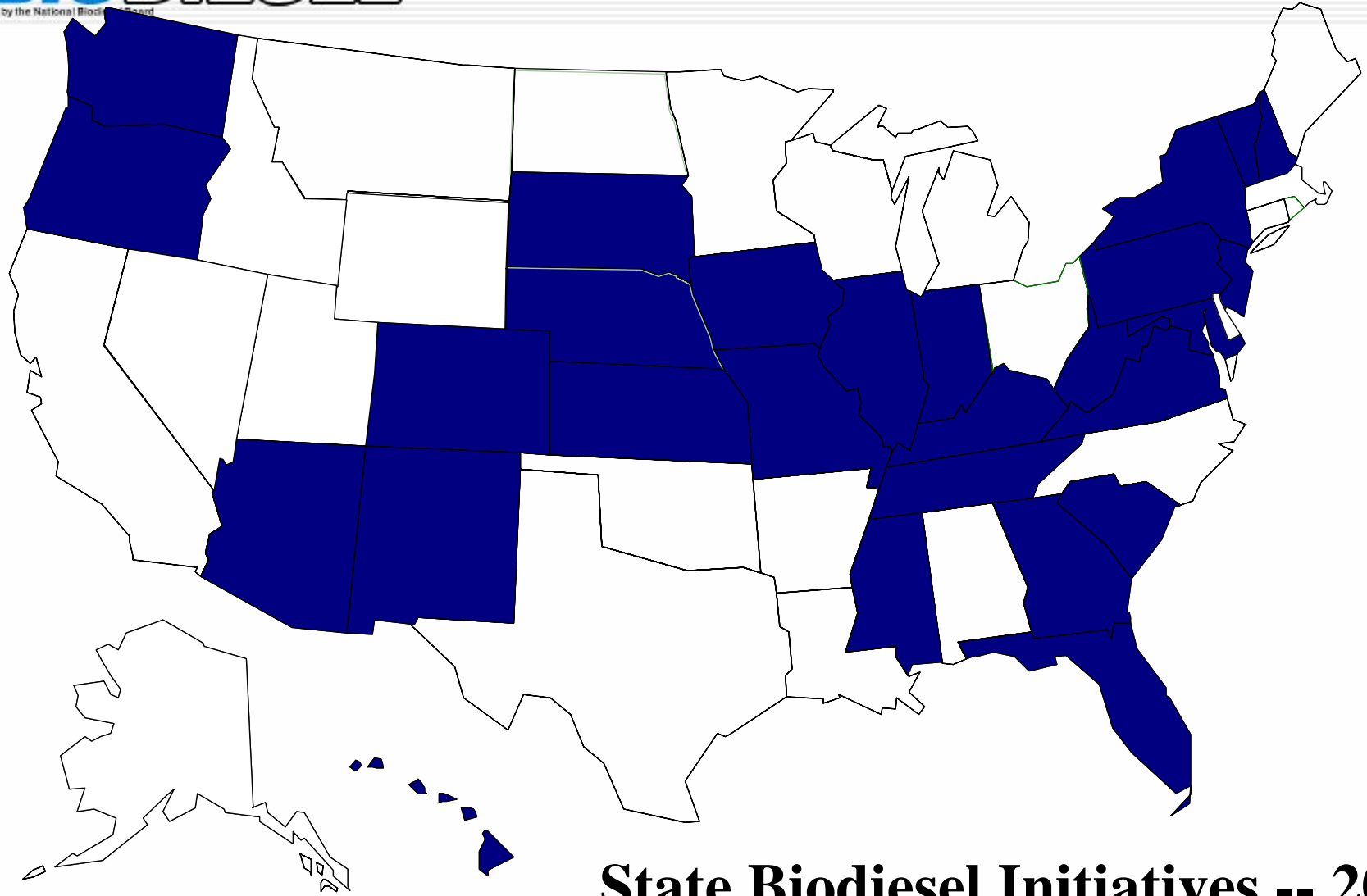
- ◆ MN B2 requirement becomes effective.
- ◆ TxLED
- ◆ NY Executive Order



# 2006-Looking Ahead

- ◆ Continuing to see very strong momentum.
- ◆ Sessions are starting; NBB tracking.
- ◆ ~100 biodiesel specific bills
- ◆ 27 states
- ◆ Anticipate seeing additional biodiesel related bills introduced.





**State Biodiesel Initiatives -- 2006**



# 2006—Looking Ahead

- ◆ Seeing emphasis on energy security—promoting renewable fuels.
- ◆ Tax exemptions/reductions: AZ, MD, NJ, NY, SC, WA
- ◆ Govt. & school district use: CO, GA, HI, IA, MD, MS, SD, VA, VT, WA, WV



# 2006—Looking Ahead

- ◆ Requirements/RFS: HI, KS, MO, MS, NM, WA
- ◆ Production/Blender/Retailer Incentives: IA, IL, KS, MO, NE, NY, SC, SD, VA, WA
- ◆ Consumer oriented incentive: IL, NH



# State Overview, Summary

- ◆ 2005 was the most active year for industry—legislative & regulatory.
- ◆ Strong support for biodiesel in state capitals.
- ◆ 2006 state legislative sessions are indicating another very active year for the industry.



# Market Dynamics

- ◆ Engine Manufacturers
  - B20, Dodge Ram PU's, Fleets
  - B5 Factory Fill, Jeeps
- ◆ 400+ Fleets
- ◆ Movie Stars!
- ◆ Real People



# Join the Biodiesel Alliance!

- ◆ National, State & Local *Organizations, Agencies and Businesses.*
  - Biodiesel Backers—For *Individuals.*
  - <http://www.biodiesel.org/aboutnbb/alliance>
    - Clean Cities Chapters
    - State Energy Offices???
  - It's Free!
  - 1,400 Alliance Members – 4,500 Backers



# For More Information:

- ◆ [www.biodiesel.org](http://www.biodiesel.org) - *A Wealth of Information*
  - Fuel Facts \* Buying Biodiesel \* Biotrucker.com
  - And More!
- ◆ National Biodiesel Board (800) 841-5849
- ◆ My Contact Information:
  - [tom@vanarsdall.com](mailto:tom@vanarsdall.com)
  - (540) 785-0949

