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## Newsroom

## Statement

Release No. 0546.10

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### Remarks by Agriculture Secretary Tom Vilsack on Biofuels as Prepared for Delivery at the National Press Club, Washington, D.C.

October 21, 2010

Today, it is clear that this Administration is engaged in job creation and opportunities for economic growth across this entire nation – from Manhattan, New York City, to the Manhattan in Kansas and beyond.

In all corners of America, this Administration is taking significant strides forward to provide economic opportunity so a farmer can confidently say to his children: stay here, on the farm, create a future for your children and an energy future for America. So a small business owner can say to her children: I'm contributing to our community so you can raise your kids here, too.

Across the hall this morning, the President's Director of his Domestic Policy Council, Melody Barnes, along with Secretary Donovan of HUD, Secretary LaHood of the Department of Transportation; and EPA Administrator Lisa Jackson, will be discussing the Obama Administration's Partnership for Sustainable Communities initiative and how it will work to support more livable and sustainable communities across America. USDA is part of this Partnership, and we wholeheartedly support their work.

Today, however, I am here, rather than across the hall, to unveil a series of USDA announcements, also supported by this Administration, that support the development of a renewable fuels industry. An industry that will create jobs and economic growth, primarily in rural America, but to the benefit of all America, because this industry provides a chance at a cleaner environment and more energy security for this nation.

Our country needs a strong, vibrant rural economy. Unfortunately, over the past several decades there have been times when it was neither strong nor vibrant. Persistent high unemployment and poverty encouraged many to leave their rural communities. A majority of rural counties lost population, and with it came a loss of political representation.

President Obama refuses to accept the notion that Rural America's past predicts its future. He recognizes that the source of America's innovative spirit and our enduring values remain rooted in our rural areas.

The President's vision for a revitalized rural economy that creates real opportunity for growth and prosperity centers on our ability to add innovative technologies, open new markets for crops, and better utilize our natural resources. The President ordered USDA to make that vision a reality.

We've gone to work immediately. USDA announced assistance under the Recovery Act for 334 broadband expansions designed to reach more than 6 million people and 250,000 businesses in rural and remote areas.

Broadband access empowers farmers and ranchers with real time weather and market information, small business owners with expanded markets, educators with distance learning, public safety officials with more reliable communications, and medical professionals with telemedicine. All of which adds to the strength of rural communities.

By launching the USDA led effort "Know Your Farmer, Know Your Food"

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we began to promote better linkage between local producers and local consumers through investments in processing, storage, and warehouse facilities. All of which helps producer's bottom lines and creates new job opportunities.

USDA, along with other federal agencies and departments, responded to the President's call for a new age of conservation with the America's Great Outdoors initiative. The report, to be issued next month, will highlight the enormous economic opportunities inherent in increased access to the outdoors, and the innumerable recreational opportunities arising from an expanded use of the outdoors.

However, the approach at the heart of the President's vision - which combines new technologies, new markets, and better use of our natural resources - is our nation's capacity to reduce its dependence on imported oil and fossil fuels through the increased production and use of biofuels and renewable energy.

No one can dispute that we remain too dependent on imported oil. That dependency, absent action now, will grow as our need for more energy grows. The Energy Information Administration estimates that by 2035, US Energy consumption will have increased by another 50 percent.

Thirty years ago 28% of the oil consumed in the United States was imported. Today that figure is closer to 60 percent - some of which comes from countries that neither like us nor support us. Today we still send a billion dollars a day outside our shores helping other countries' economies to grow while our economy recovers from a deep recession.

With the disastrous oil spill in the Gulf of Mexico, we are also reminded that the development of our own oil resources is not without environmental and economic risk.

We can do better. We have to do better. Rural America is where we will do better.

The Renewable Fuel Standard, known as RFS2, reaffirmed the goal of producing by 2022: 36 billion gallons of biofuels to include 21 billion gallons of advanced biofuels.

Reaching that goal means importing less oil - at least, according to a recent industry study, a \$350 billion cumulative total value of avoided petroleum imports over the 2010-2022 period. This means \$350 billion that we can keep here, in this country. This means less fossil fuels releasing fewer toxins and having cleaner air to breathe, and the industry projects a million new jobs with investments of \$95 billion in new biorefineries.

Today, we produce around 12 billion gallons of ethanol biofuels and around 800 million gallons of biodiesel. Very little of which is considered an advanced biofuel. While, under the RFS2, the biodiesel is an advanced biofuel, we are pushing the limits of technology and surging towards the production of advanced cellulosic ethanol, biobutanol, drop-in fuels and other advanced biofuels.

The benefits to the economy and to consumers are outlined in a new Economic Research Service study released today entitled Effects of Increased Biofuels in the US Economy in 2022.

The study notes that unlike the rising costs of fossil fuels priced to meet increased demand and increased production costs, biofuel production costs will continue to drop with each succeeding generation of biofuels.

The recent EPA announcement authorizing E-15 for late model vehicles will help boost demand. It already convinced NASCAR to use E-15. If it is good enough for Jimmy Johnson to remain hopeful it will also be good enough for earlier vehicles from 2001-2006.

Bottom line - this industry needs more time to mature and more investments to grow. To meet the 36 billion gallon goal, we will need to work harder and faster.

Incentives helped build the biofuel industry and for the time being, incentives need to continue. Congress should start by reinstating the Biodiesel Production Tax Credit and providing a fiscally responsible short-term extension of the Volumetric Ethanol Excise Tax Credit. At the same time, we need to begin to think about reforms to the ethanol credit program to make it more efficient and effective at addressing the full range of challenges we face in meeting our goals for traditional and next generation biofuels.

We have already seen what happens when incentives are ended too quickly. The recent lapse of the biodiesel tax credit cost that industry jobs - nearly 12,000 jobs were lost as production was cut in half- these are jobs we simply cannot afford to lose.

But, tax credits, by themselves, are not enough. Our effort must include identifying additional feed stocks available throughout the country while discovering more efficient production processes. Research and development must intensify.

The President's Biofuels Interagency Working Group report, Growing

America's Fuel, called for the establishment of five USDA regional Biomass Research Centers for the development of non food biomass feed stocks. These Regional Centers, involving a collaboration between the Agricultural Research Service (ARS) and the U.S. Forest Service (FS), will focus, accelerate, and coordinate the science and technology needed to incorporate feed stock production into existing agricultural and forest based systems.

The Centers will also assist Rural Development officials in the development and construction of biorefineries. The lead personnel at the Centers will draw on the expertise of our entire USDA team including but not limited to our Rural Development coordinators, Farm Service personnel, Natural Resources Conservation Service officials, Forest Service experts, and extension service specialists.

The Centers will service the regions of the country best suited for advanced biofuel production in the following locations:

1. The Northeast center will be located in Madison, Wisconsin, led by the Forest Service.
2. The Central East Center will be located in Lincoln, Nebraska, led by ARS
3. The Southeast center, a little more complicated because so much is going on there, will be located both by ARS in Boonesville, Arkansas; and Tifton, Georgia, and in Auburn, Alabama, led by the Forest Service.
4. The Western Center will be located in Maricopa, AZ
5. The Northwestern Center will be located in Pullman, WA, led by ARS, and Corvallis, OR, led by the FS

Production of 36 billion gallons of biodiesel will require that biorefineries dot the rural landscape. The Farm Bill of 2008 authorized investments to assist in the construction of new biorefineries. Today, I am directing the Rural Development mission area of USDA within 60 days to announce support and funding under the current Biorefinery Assistance Program for the construction (to commence in 2011) of a specific biorefinery or bioenergy plant in each of the regions serviced by the regional centers. In doing so, the entire country can begin to see the economic benefit to producers and the job creation potential of the biofuel/bioenergy industry.

I know that the Department of Energy will also provide leadership in this effort. Already the effort of the DOE is encouraging the construction of a biomass facility that converts woody biomass into crude oil in the state of Mississippi.

As research identifies alternative feed stocks and as biorefineries are built to process those feed stocks, producers must be encouraged to grow the feed stocks. The Biomass Crop Assistance Program (BCAP) will provide that assistance.

The final BCAP Rule will be announced in the Federal Register tomorrow. Under the rule, producers will receive financial help to defray the cost of producing, storing and transporting alternative fuel stock.

The assistance could be as much as 75% of the cost of establishing the new crop as well as annual rental payments to help cover the costs of transitioning from current cash crops.

Delivery of biomass to a renewable energy or biofuel facilities will generate matching payments to help reduce the costs that come from the logistical challenges facing this new industry. In crafting the final rule we paid attention to the concerns of industry and environmentalists, particularly with respect to woody biomass. Assistance for woody biomass will only be provided for materials removed from a forest for ecosystem restoration and forest health purposes.

As these new materials arrive at the biorefinery additional costs may be incurred by processors. To relieve that risk for advanced biofuels production, USDA, under section 9005 of the Farm Bill of 2008, will make payments to impacted processors. Up to \$281.5 million remains for this purpose. I have directed that work on the final rule be completed by the end of this year making these funds available.

Over time, a key missing link in the effort to meet the RFS2 goal has been and will continue to be the lack of convenient locations to obtain higher blends of biofuels.

Convenient store operators and marketers remain reluctant to incur the cost of new pumps and tanks. USDA and other federal departments can and should offer help.

I have instructed Rural Development officials to provide financial assistance, using existing RD programs and resources, to provide matching funds to help install 10,000 blender pumps and storage systems over the next 5 years. Work will commence immediately on putting that program together.

Our effort to expand the biofuel industry will also include opportunities we control within our own vehicle fleet at USDA. We are committed to

make E 85 and other blends of biofuels, including biodiesel mixes, more conveniently located. We'll encourage more use of biofuels in our fleet of almost 43,000 vehicles. The impact can be significant. The Department reported 42,882 light, medium, and heavy duty vehicles in the motor vehicle inventory in FY 2009. The approximate total fuel consumption was 19,500,000 gallons. The miles traveled by the USDA Motor Vehicle Fleet were approximately 342,500,000 with approximately \$41,000,000 in fuel costs reported. We hope to provide the model for other federal departments with large vehicle fleets.

The USDA is already partnering with the Department of the Navy as it embraces a biofuel future. Today, USDA announces another partnership with the signing of a Memorandum of Understanding with the Federal Aviation Administration (FAA). The FAA and commercial airline industry also see the potential of biofuel as jet fuel. Under the MOU, the USDA and FAA will work together with the airline industry over the next 5 years to develop appropriate feed stocks that can be most efficiently processed into jet fuel. Doing so will decrease the industry's current dependence on foreign oil and help stabilize fuel costs in the long run.

I recognize that some may doubt our capacity to meet the challenge of expanding the biofuels industry. I do not underestimate the challenges, but I have seen Rural America rise again and again to continually meet the large challenge of providing food, feed, and fiber for the country and the world.

Belief and action remain powerful forces to affect change. I believe the state of the rural economy and President's vision for revitalized rural America compels us to action now. I believe the goals articulated within the RFS2 mandate action now. And, I believe the need for energy security, a cleaner environment, and better economic opportunity in rural American make the case for action now.

So, I am confident today that we at USDA, joined by those who live, work, and raise their families in rural areas stand ready to take action. Together, we will revitalize our rural economy and create meaningful opportunity for those who see the future – and their future – as brighter in a re-energized Rural America.

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