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Biodiesel producers could shutter without state subsidies

By Jim T. Ryan
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Pennsylvania biodiesel producers said without help from the state they could go belly-up by the end of this month.

The companies are urging the Legislature to pass a bill to increase the amount of subsidies per biodiesel gallon produced. Without that boost, many of the state's producers could go out of business in less than 30 days, said Ben Wootton, president of Keystone Biofuels Inc. based in Silver Spring Township, Cumberland County.

"We've all been running on fumes and bank loans," he said.

Keystone stopped producing at the end of February and laid off about 70 percent of its staff, bringing employees down to three, Wootton said.

"The clock's no longer ticking, it's officially stopped," he said.

At least two other biodiesel producers have ceased operation in the last 30 days, including Middletown Biofuels, he said. The company, which has production in Middletown, Dauphin County, is a division of CQ Inc. based in Blairsville, Indiana County. At deadline, several phone calls to Middletown Biofuels and CQ Inc. were not returned.

There are two proposals that would help the industry. One would increase subsidies and the other would mandate the blending of biodiesel into petroleum-based diesel. Both are part of Gov. Ed Rendell's energy strategy to reduce the state's dependence on foreign oil.

The Republican-controlled state Senate passed a subsidy bill in December. Special Session Senate Bill 22 would give biodiesel producers 75 cents per gallon. The Democrat-controlled House wanted a bill that raised subsidies to \$1 per gallon. All biofuels producers, including ethanol producers, are eligible for a 5-cent-per-gallon subsidy.

Biodiesel producers last year asked for \$1 per gallon so Pennsylvania producers could be competitive with Midwest producers that already receive subsidies ranging from \$1 to \$1.50 per gallon, said John Cole, founding partner of United Biofuels in Manchester Township, York County.

United Biofuels has no plans to close its business, but it has experienced some of the same problems as other producers, Cole said.

"We're as anxious as they are to move this along," said Matthew Maciorkoski, a spokesman for Rep. Camille Bud George, chairman of the House Environmental Resources & Energy Committee. George is a Democrat who represents part of Clearfield County.

The house is scrapping the \$1 subsidy bill, Special Session House Bill 42, in favor of a bill closer to the Senate version, Maciorkoski said. The Legislature goes back to work Monday, he said, but it's not known when a final bill could be voted on.

"We were naive to think it would be a quick passage," Wootton said.

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