

## **ENERGY BOOSTER**

**By Jim T. Ryan - 11/16/2007**

Ben Wooten has been on the road a lot.

On Oct. 25 he was in Washington, D.C., to meet U.S. Treasury officials about federal subsidies for biodiesel.

Before that, Wooten, president of Cumberland County-based Keystone BioFuels Inc. made the rounds with state legislators as part of the special session on energy. The goal was to win state production incentives for biodiesel.

Wooten and other executives from the biodiesel and related fields have made some strides. A group of senators introduced a bill on Oct. 22 that would increase the subsidies to biodiesel producers around the state.

Senate Bill 10 raises the subsidy to \$1 per gallon for up to 10 million gallons.

Essentially, the state would give the biodiesel industry a \$10 million helping hand if the bill passes.

That may seem like a lot on face value, but it's only a third of what the biodiesel industry had wanted from legislation, Wooten said.

"The incentive is enough to satisfy the current need without a mandate," he said.

Biodiesel producers were looking for \$30 million in subsidies, or \$1 per gallon with a cap of 30 million gallons.

They were also hoping for mandates that would require all diesel fuel sold in the state to contain a percentage of biodiesel blended in. The mandate would assure a market for Pennsylvania biodiesel. A bill proposed earlier in the year by the state House could tackle mandates. It's being reviewed by the Senate (see "Bill could mandate biofuel blends").

Without subsidies and mandates, Wooten said the state's biodiesel producers will go out of business because of competition from subsidized out-of-state producers, which account for much of the biodiesel used in Pennsylvania.

Whether the final bill allots \$10 million or \$30 million, finding the money in the budget is the challenge.

"A revenue source would actually have to be found to subsidize this level of activity," said Patrick Henderson, Republican committee director for the special session on energy policy. He's also a staff member for committee chairwoman Sen. Mary Jo White's office. White, a Republican, represents Venango, Clarion, Forest and parts of Butler, Warren and Erie counties.

A 2004 state law backed biodiesel with subsidies, but the proposed bill goes farther, Henderson said. Subsidies for biodiesel established in 2004 are only 5 cents per gallon. The bill also offered tax rebates for buying fuel-saving vehicles, such as gas-electric hybrids.

Senate Republicans and a growing number of Democrats are warming to the needs of biodiesel producers, Wooten said. If the bill passes and producers see a positive effect, they can always return to the Legislature for the mandates.

Some senators are skeptical of the proposals, Henderson said. The small producers are asking for help, but larger manufacturers have found ways to reach the market without subsidies, he said. That's part of the reason the proposed subsidies are modest.

"The encouraging news is that the Senate is still open to working on this issue," said Joe Rotz, government-relations director with the Pennsylvania Farm Bureau.

The bureau, a trade organization for the state's agriculture industry, is supportive of measures that would strengthen small biofuels manufacturers. Farmers stand to gain by selling corn and soybeans to local producers. Corn is used for ethanol, such as E-85, which can be burned in gasoline engines. Soybeans are one of the primary crops used for biodiesel.

Without mandates for biodiesel blends to extend the market reach of producers, the state government will subsidize the industry for a long time, Rotz said.

Wooten said endless subsidies could be prevented with the mandates. Subsidies could be dropped after producers get a foothold in the market, he said. At this point, he likes the proposed incentive; it will keep businesses like Keystone in Silver Spring Township from closing.

"That should be enough to keep most of the doors open," Wooten said.

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#### **Bill could mandate biodiesel blends**

The Clean Fuels and Energy Independence Act (HB 1202) could mandate the increased use of biodiesel-blended fuel in the state if it's approved by the Legislature.

All diesel sold in the state would be blended with a percentage of biodiesel, according to the bill. The proposal starts at 2 percent blends and works up to 20 percent. In-state production volumes of biodiesel are the trigger for the gradual increases to take effect.

All diesel fuel in Pennsylvania would be required to contain 2 percent one year after biodiesel production statewide reaches 30 million gallons.

The state House of Representatives passed the bill in June and sent it on to the Senate for consideration. It was referred to the Environmental Resources and Energy Committee. The committee has not acted on the bill.

—Jim T. Ryan