

\$1 Biodiesel Production Incentive

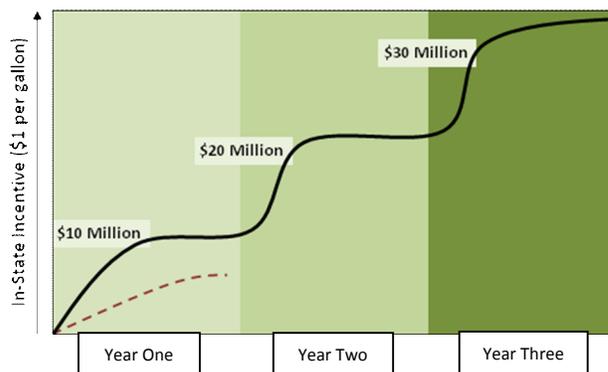


Support the \$1.00 per gallon In-State Production Incentive for Biodiesel

Consider:

- The federal production incentive is set at \$1 per gallon precisely because the U.S. government determined that this is the most economically viable level for an incentive match.
- The proposed in-state production incentive is capped at \$10 million per year. As a result, a \$1 per gallon incentive will not increase the total cost of the program versus other options. What it will do is *deploy the incentive rapidly*. By offering a \$1 per gallon incentive, the Commonwealth ensures that biodiesel producers feel relief promptly and are able to compete effectively in the near term.
- The out-of-state biodiesel fuel presently being imported into Pennsylvania is coming from states that have \$1 or higher production incentives (Indiana, Iowa, Kentucky).
- Pennsylvania's largest biodiesel fuel marketer testified to the State Senate that they purchase their fuel from Iowa, a state with an incentive equal to \$1.50 per gallon of B100. Even when transportation is factored in, the difference equals at least \$0.80 per gallon.
- Due to speculation, soybean oil is currently trading at \$3.84 (source: Chicago Board of Trade). The average price to produce a gallon of biodiesel in Pennsylvania is \$4.80 (source: PA Biodiesel Producers Group). The largest marketer is selling Iowa-subsidized biodiesel in Pennsylvania at an average of \$3.64 per gallon, representing a \$0.80 to \$1.20 'spread' in 2007.
- The in-state incentive request is a market-driven solution. The fuel industry – driven by the petroleum companies – is a highly subsidized, monopolized sector, and due to similar vertical integration by Midwest grain conglomerates, alternative fuels face a similar challenge.
- The PABPG expects that the biodiesel market (including feedstock pricing, distribution access, and adoption) to achieve stabilization within three years. The proposed incentive provides a fair and balanced playing field for Pennsylvania-based biodiesel companies to compete.

**Without your support,
the Pennsylvania biodiesel industry
will not survive.**



- Pennsylvania would provide the \$1 per gallon production incentive up to \$10 million per year within the 3-year plan.
- - Without an in-state production incentive, Pennsylvania biodiesel companies will not survive.