

May 2008**Biodiesel – A Vital Part of an Energy Solution** 1**Point of View:**
Glenn A. Shirey,
Middletown Biofuels 1**Ask the PABPG:**
Why a Three Year Incentive? 2**Biodiesel – A Vital Part of an Energy Solution***By Carl T. Shaffer, President of the Pennsylvania Farm Bureau*

Mounting discussion about the pros and cons of renewable fuels may be puzzling, as policymakers search for energy solutions. There should be no confusion, however, about the merits and promise of biodiesel. Unfortunately, its potential for Pennsylvania is slipping away.

Biodiesel is not just a remarkable fuel for transportation and our environment. Biodiesel is a win-win energy opportunity for Pennsylvania's farmers. It can fuel the tractors moving in the fields to grow and harvest the soybeans, a basic component of biodiesel production.

Knowing its extraordinary benefits, many states have nurtured their biodiesel industries before Pennsylvania. To grow their biofuels industries, more than 20 states offer some form of a subsidy or incentive. These incentives have enabled other states to undermine Pennsylvania's biodiesel industry, just as it is getting off the ground.

The PA Senate has passed bi-partisan legislation by a margin which would enable Pennsylvania biodiesel producers to receive a state incentive of 75 cents per gallon from 2008 – 2010 to help offset the competitive advantage of the subsidized biodiesel from other states. The incentives would be capped at \$2 million per biodiesel producer and Pennsylvania's maximum investment in the industry would be limited to a total of approximately \$15 million over three-year period. A similar measure has been introduced in the PA House.

A small investment in Pennsylvania's biodiesel industry today helps the Commonwealth become the alternative energy leader of tomorrow. With this investment farmers, small businesses and the environment all benefit. The citizens of Pennsylvania benefit. By enacting this incentive program, our state lawmakers send an important message to PA alternative energy developers. Namely, "If you make the investments and take the risks, we will stay the course with you for new energy development."

Point of View: Glenn A. Shirey, General Manager of Middletown Biofuels LLC

Biodiesel producer and member of the PABPG, Glenn Shirey, gives his point of view on the current status of the biodiesel industry in Pennsylvania.

**Q: Why should Pennsylvania support biodiesel?**

A: Alternative, renewable fuels such as biodiesel provide a real opportunity for Pennsylvania to become less dependent on foreign oil, and it is an industry that is here, now, and ready to produce. Pennsylvania has the agricultural products to supply the industry, as well as the end-use markets for the product (transportation & home-heating fuels). It's both an energy winner (3.5 energy output for 1.0 energy input) and an environmental winner (CO2 & other emissions reduced as much as 70-80%). What's not to like? We can't let an industry like this one "die on the vine."

(continued on page 2)

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Point of View: Glenn A. Shirey, General Manager of Middletown Biofuels LLC

(continued from page 1)

Q: Why should members of our legislature support a biodiesel production incentive?

A: A short-term (3 year) biodiesel incentive will help Pennsylvania producers become competitive with out-of-state suppliers who benefit from production incentives in their states. In addition, an incentive over that time-frame will allow existing and future producers to remain in production while they evaluate and implement new alternative strategies (feedstocks, process improvements, etc.) to reduce operating costs and become more profitable on their own.

Q: What other people, places, and businesses around you could benefit once your company is supported with the production incentive?

A: That is an important point: Facilities like ours produce a valuable product from raw materials and at the same time, they support many other ancillary businesses and operations. Our biodiesel operation in Middletown directly employs 12 people as well as some administrative staff at our home office. With an incentive in place, those people come back to work at a job they like to do and do well. We start buying soybean oil and chemicals from local suppliers. Then we can sell high-quality, ASTM-specification biodiesel to a local distributor who sells the fuel to be used for transportation and home-heating in Pennsylvania. We also order supplies and spare parts from local vendors as needed to maintain our facility. Manufacturing and producing goods within our Commonwealth is a great thing for our businesses and residents. Biodiesel can reduce our energy independence and improve our environment at the same time!



Middletown Biofuels LLC
Middletown, PA 17057

Production Capacity: **375,000**
gallons per month by
summer 2008

Type of Renewable Sources
used in Biodiesel Production:
Soybean Oil

Ask the PABPG: *Why Only Three Years for a Pennsylvania Biodiesel Production Incentive?*

The states that are subsidizing biodiesel production are states with excess feedstock capacity. Through their subsidies these states are investing in biodiesel production and they have created immediate jobs that will strengthen their states' economies. Because biodiesel is a "young" product with limited sales, production in other states quickly exceeded consumption in those states. The surplus biodiesel was sold to other states that desired to consume the product.

Pennsylvania also has this feedstock capacity, but biodiesel producers are not supported with an incentive. Distributors in Pennsylvania have been purchasing biodiesel from other states because the cost is less per gallon.

As biodiesel catches on, consumption will increase within those producing states. These states will eventually absorb all of their excess feedstocks. With the Pennsylvania and Federal biodiesel mandates in place the excess biodiesel coming into Pennsylvania will run dry since the other states will be consuming it all in their own borders. We believe this will happen in the next two to three years. Therefore the need for an extended subsidy from the Commonwealth is eliminated. The incentive should include a three year limit because we estimate the biodiesel market to be more competitive for Pennsylvania producers at that time.

Please Support our Commonwealth's Biodiesel Production Industry. For more information please visit www.PABPG.org.