

Legislation gladdens biodiesel producers

Heather Stauffer

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Seventy-five cents a gallon will save Pennsylvania's biodiesel industry and help the state move toward a cleaner and more self-sustainable fuel source, according to Ben Wootton.

"We weren't looking for the state to subsidize our production," said Wootton, president of Keystone BioFuels Inc. in Shiremanstown and chairman of the Pennsylvania Biodiesel Producers Group. "We were looking for the state to level the playing field just enough to keep us in business."

And that, Wootton said, is exactly what a bill that just passed the legislature does.

The 75-cent-per-gallon incentive for biodiesel manufactured and sold in the state, which will run for three years and is capped at \$5 million dollars per year, will keep the fledgling businesses afloat long enough for another part of the governor's energy package to kick in, Wootton said.

That second part, he explained, mandates that a year after in-state production of biodiesel from sources like soybeans, recycled yellow grease and rendered animal fats reaches 40 million gallons, diesel sold in the state must contain at least 2 percent biodiesel.

"That basically creates a sustainable market," Wootton said.

The bill mandates progressive percentages of biodiesel mix, jumping to 5 percent at 100 million gallons, 10 percent at 200 million gallons and 20 percent at 400 million gallons. It also mandates that cellulosic ethanol constitute at least 10 percent of gasoline sold in the state after in-state production of ethanol reaches 350 million gallons.

Competition

The boost was necessary because other states have been offering biodiesel producers incentives that gave them the ability to offer biodiesel here at lower prices than local producers could, Wootton said.

The industry came to Pennsylvania about two years ago in the form of seven businesses, he said, but with the other states' incentives, "overnight our market went from very good when we started building here to very bad," he said.

Six of the businesses are still hanging on, he said, and he expects the new legislation will attract more to Pennsylvania. He expects Pennsylvania biodiesel companies to hit the benchmark in a couple of years, he said, but that's not as far as his planning goes.

"For every acre of soybeans, you get about 50 gallons of oil," Wootton said. "For every acre of algae, you get about 1,500 gallons of oil."

The algae-into-oil process is still in development, Wootton said, but he expects that to hit the market about five years from now. Meanwhile, he said, companies like his are actively seeking out used

vegetable oil from restaurants to use in manufacturing the biodiesel.

Food vs. fuel debate

As for what consumers will undoubtedly be worried about with the new fuel — its cost — Wootton said that even if, in two or three years, the price of diesel rises to a “catastrophic” \$6 per gallon, the increased cost from the 2 percent biofuel might be “four pennies at the pump.”

But, he said, even that may not be the case.

“Right now, with the incentive, I see biodiesel being cheaper than petroleum,” Wootton said.

The food-for-fuel debate also doesn’t much apply to biodiesel, he said, because unlike corn-based ethanol, biodiesel can be made from a number of sources.

Joel Rotz, state governmental relations director for the Pennsylvania Farm Bureau, agreed.

“Readers need to understand that the biodiesel incentive that the state has passed should not affect food prices, since the main products used for biodiesel are waste material or soybeans,” Rotz said, pointing out that even after oil has been extracted from soybeans, the remains can easily be used to feed livestock.

Rotz said the bureau supported the new measure but felt and appreciated that legislators were careful “they did not do anything to further put any strain on food prices because of biofuels.”

There is a connection between food and fuel prices, Rotz said, but he feels it has been overstated. The most direct connection is as it relates to corn-based ethanol, he said, as it drives up the cost of feed for animals, which “would take some time till we see it play through.”

Right now, Rotz said, “About 15 percent of the increased cost of corn is related to corn-based ethanol.”

The rest is related to world-wide demand and the devaluation of the American dollar, he said.

Rotz also pointed out that the discussion of corn-based ethanol is not really relevant to the bills that were passed, since their only reference to ethanol was to cellulosic ethanol, which is not being manufactured in Pennsylvania.

Meanwhile, he said, the increase in the price of corn does not mean that farmers are getting rich.

“No doubt about it — those that are growing feed grains are getting larger returns,” Rotz said. “Their expenses are also up dramatically.”

The reason for that, he said, is the same as it is for the average consumer: Higher costs for anything oil-based, starting with fuel, but for farmers also including a number of oil products.

“Farmers are in the same squeeze as everybody else,” Rotz said.

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