

From the July 2008 Issue

## Pennsylvania passes biofuels-friendly budget

by Kris Bevill

*Web exclusive posted July 9, 2008 at 12:34 p.m. CST*

Pennsylvania Gov. Edward Rendell signed the state's 2008-'09 budget into law on July 4, ushering in new incentives for biodiesel and cellulosic ethanol producers.

The Biofuel Development and In-State Production Incentive Act includes a mandate that gradually increases the amount of biodiesel to be blended into all diesel sold in Pennsylvania, beginning with a B2 requirement that goes into effect one year after the in-state production volume tops 40 MMgy. The requirement increases to 20 percent biodiesel one year after 400 MMgy is produced in-state.

Mike Noble, director of operations at Lake Erie Biofuels, said he holds a neutral position on the mandate. Producing at its 45 MMgy capacity, the plant is by far Pennsylvania's largest biodiesel producer, according to Noble. Therefore, Lake Erie Biofuels alone produces enough biodiesel in a year to trigger the B2 mandate. However, it's not that easy.

John Nikoloff is partner and president of Pennsylvania Energy Resources Group, a Harrisburg, Pa.-based consulting firm that works with Lake Erie Biofuels and other various companies in the alternative and renewable energy industries. He said as the legislation is worded, it's impossible for a mandate to go into effect until late 2009. The delay is a necessary evil however, and will give the industry and government time to set up the infrastructure needed in order to support a greater demand for biodiesel. "There's a long way to go before we have the infrastructure to carry out any mandate here," Nikoloff said. In the upcoming year, Pennsylvania Energy Resources Group will work with biodiesel companies to ensure that an adequate infrastructure is in place so that the mandates can succeed.

Nikoloff will also be working to build an infrastructure on the feedstock end of the production chain, something he said was overlooked by state legislators. "Right now [Pennsylvania] really only [has] 3 crushing facilities that are doing soybeans and they're combined capacity is only 5 million gallons," Nikoloff said.

Also included in the state budget was an extension of the Alternative Fuels Incentive Grant Program which provides a 75 cent per gallon subsidy for biodiesel produced and sold in Pennsylvania. The total amount to be paid out in the next three years is \$5.3 million – but a producer is not allowed to receive more than \$1.9 million each year. "Since we produce 45 MMgy it doesn't really affect us on the level it will for smaller producers. It equates to about 5 cents/gallon for us," Noble said. It's not much, but everything helps, he added.

Nikoloff doesn't see any way that a company could actually receive 75 cents per gallon unless they're only producing 500,000 gallons per year because "there just isn't enough money in the fund for it." He added that of the 10 biodiesel plants in Pennsylvania, he only knows of two or three that are currently operating. "Realistically, if every plant in the state produces to their plant capacity, which they talk about, nobody would ever get more than about 30 to 35 cents [as part of the new subsidy program]," he said. According to Nikoloff, the subsidy was viewed by the legislature as a way to help some of the off-line plants to reopen, but assistance is limited to the amount of money allowed in the budget.

Lake Erie Biofuels currently uses vegetable oil, waste grease and animal fats in its production process, Noble said. The plant continues to send most of its product overseas to the European market.

Another aspect of the recently passed bill requires all gasoline sold in Pennsylvania to consist of 10 percent cellulosic ethanol one year after in-state production has reached 350 MMgy. Corn ethanol requirements were left out of the legislation.

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