

# Biodiesel– Industry Outlook & Policy Update



**J. Alan Weber**

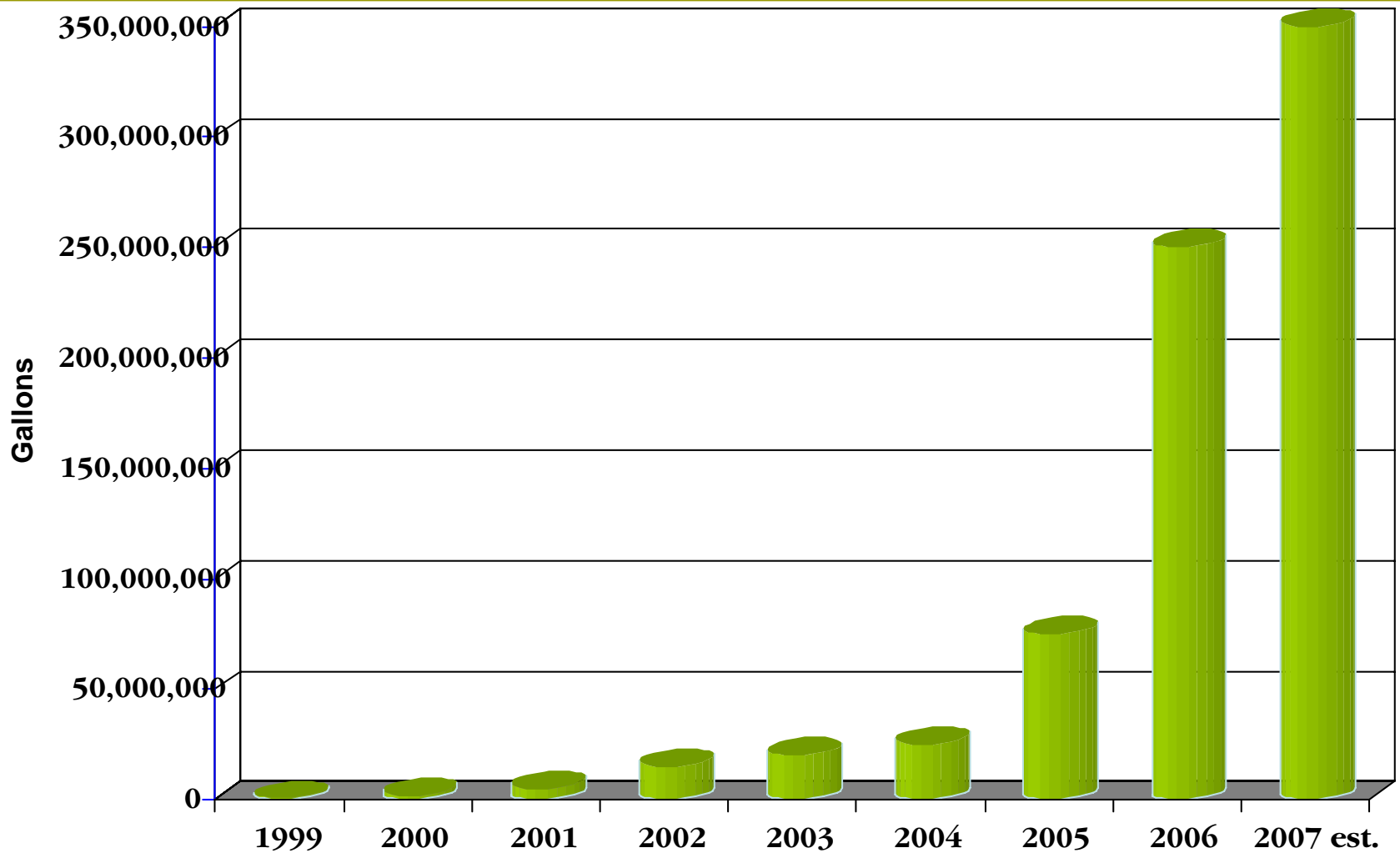
**5th Global Oils and Fats Forum**

**September 14, 2007**

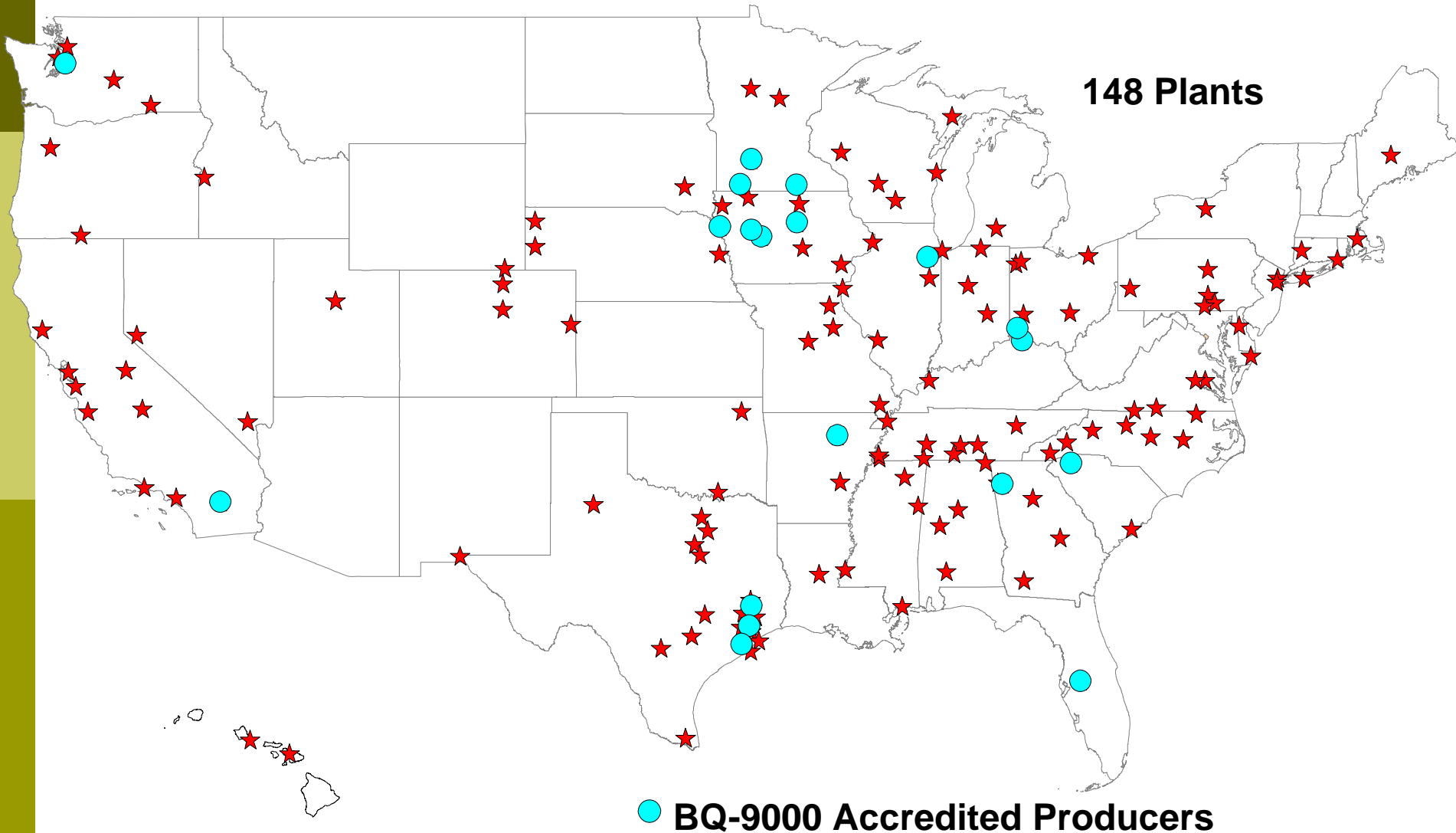
# Biodiesel Growth & Industry Capacity



# US Biodiesel Demand

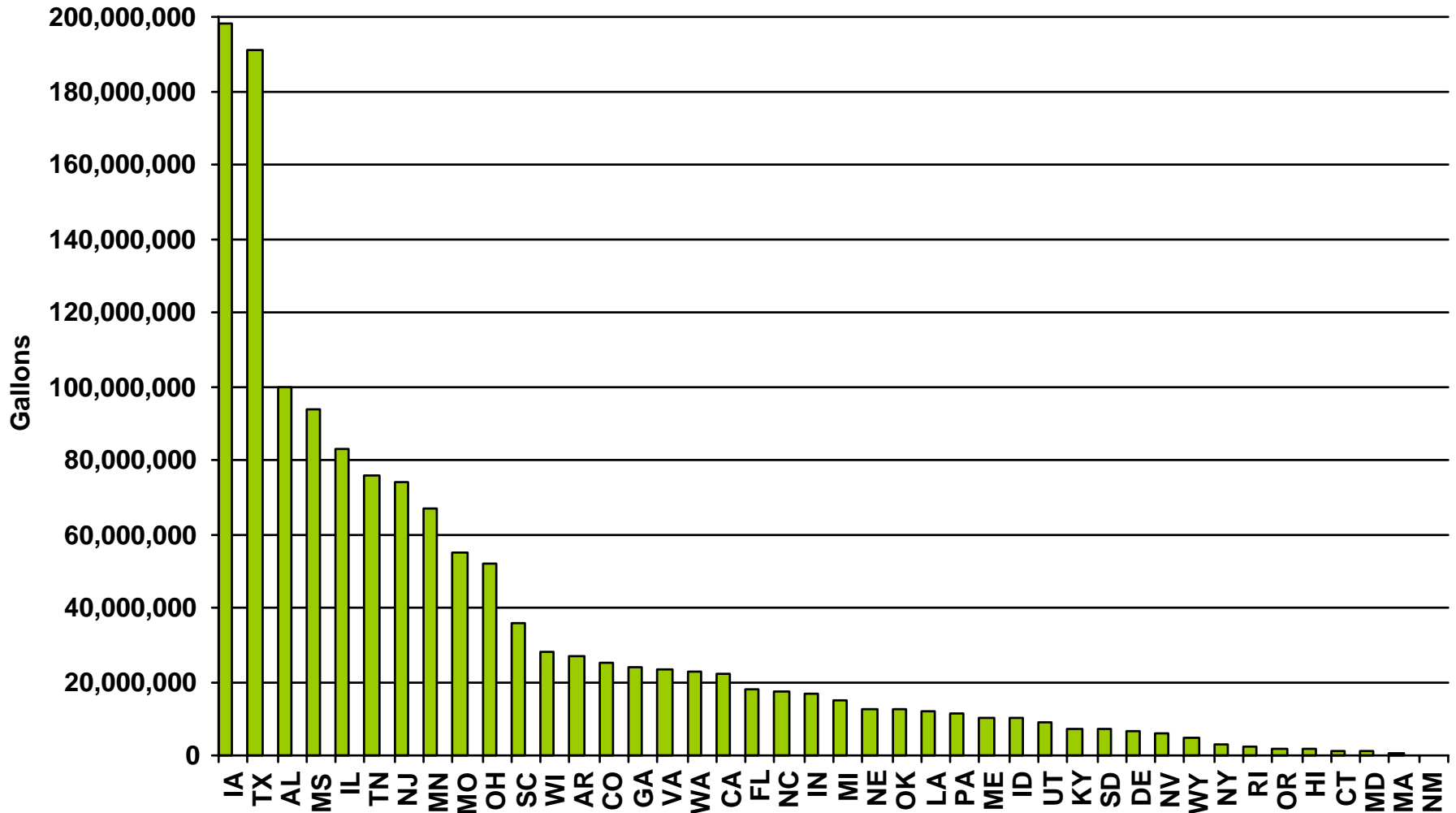


# Production Locations (6/7/07)

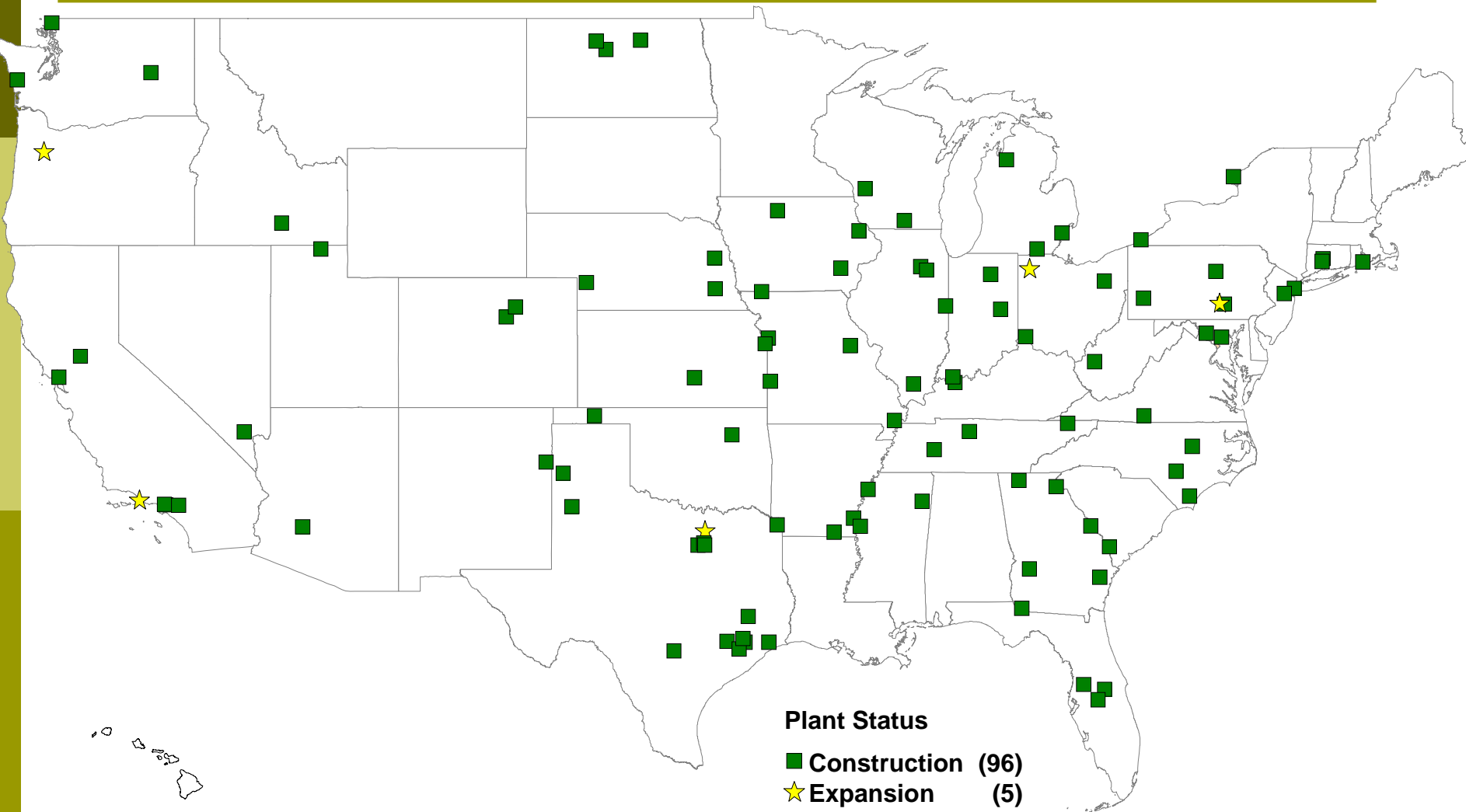


# Production Capacity by State

(6/7/07)



# Biodiesel Plants Under Construction & Expansion (6/7/07)



# Sustainable Industry Growth

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- **Will be dependent upon:**
  - **Blend economics (i.e. petroleum prices)**
  - **Feedstock availability (i.e. supplies)**
  - **Maintaining federal legislation**
  - **Consumer confidence**

# Demand Drivers Policy and Energy Markets

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# Policy Remains Critical

- ❑ **Federal Policy has served as an effective catalyst for the biodiesel industry**
  - **Biodiesel Blenders Tax Credit**
  - **Small Agri-biodiesel Income Tax Credit**
  - **Renewable Fuel Standard**



# Biodiesel Tax Credit

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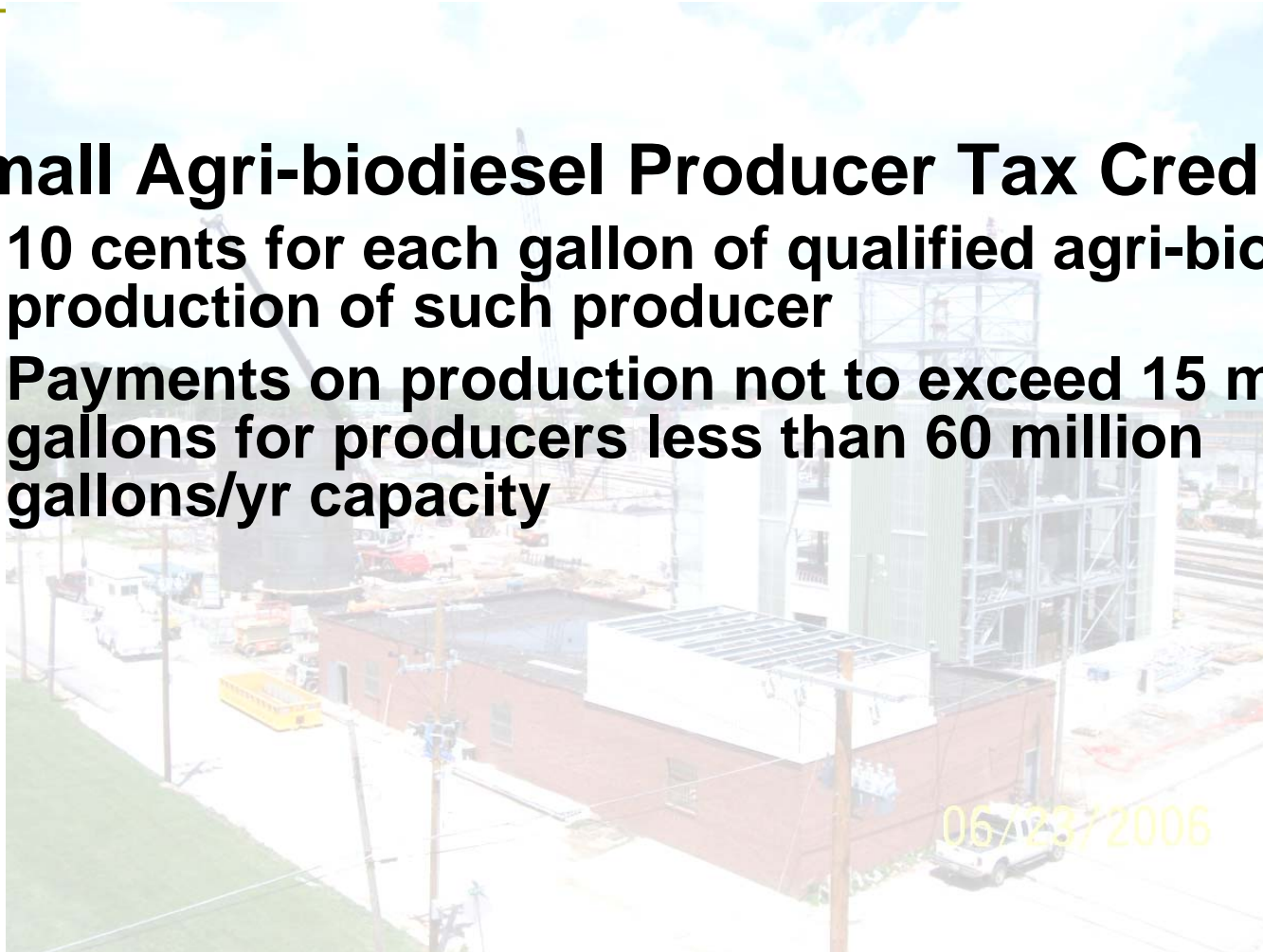
- **Credit taken at the blender level**
  - **Enables biodiesel blends to be marketed more competitive to diesel fuel**
    - \$1.00 for agri-biodiesel
    - \$0.50 for biodiesel
  - **Available for blends up to B99.9**
- **Structured to benefit all consumers (taxable and tax exempt markets)**
  - **Also including heating oil**
  - **B100 sales; income tax only**
- **Expires December 31, 2008**
  - **Implied investment risk**



# Small Producer Tax Credit

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- **Small Agri-biodiesel Producer Tax Credit**
  - 10 cents for each gallon of qualified agri-biodiesel production of such producer
  - Payments on production not to exceed 15 million gallons for producers less than 60 million gallons/yr capacity

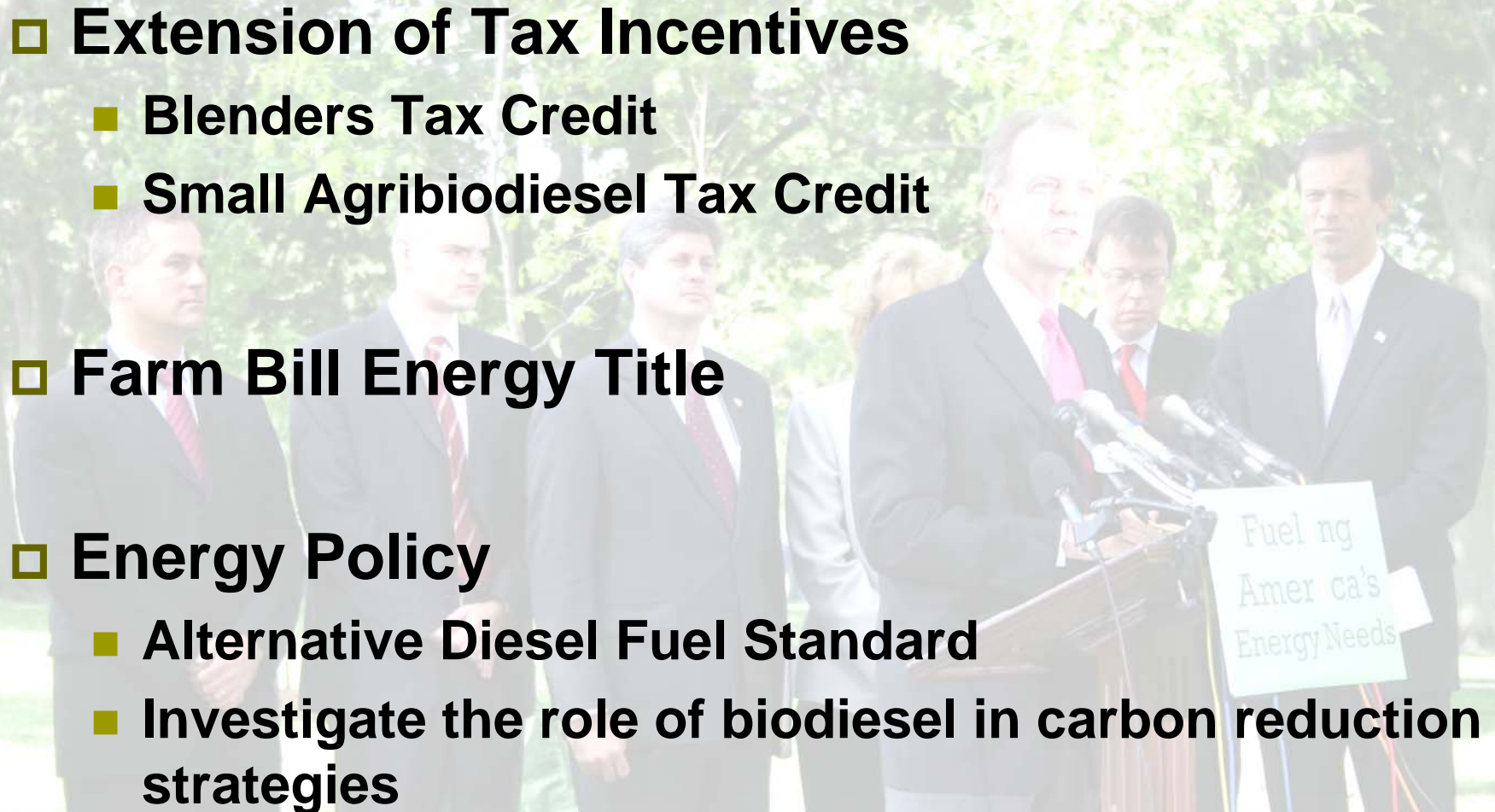


# Renewable Fuel Standard

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- **Requires gasoline sold or introduced into commerce in the US to contain renewable fuels such as ethanol or biodiesel**
  - 2006 volume required = 4.0 billion gallons
  - 2012 volume required = 7.5 billion gallons
  - 2013 and after determined by EPA
- **Not a mandate for ethanol or biodiesel**
- **Rulemaking required for biodiesel credit determination**
  - 1.5 to 1 credit for biodiesel

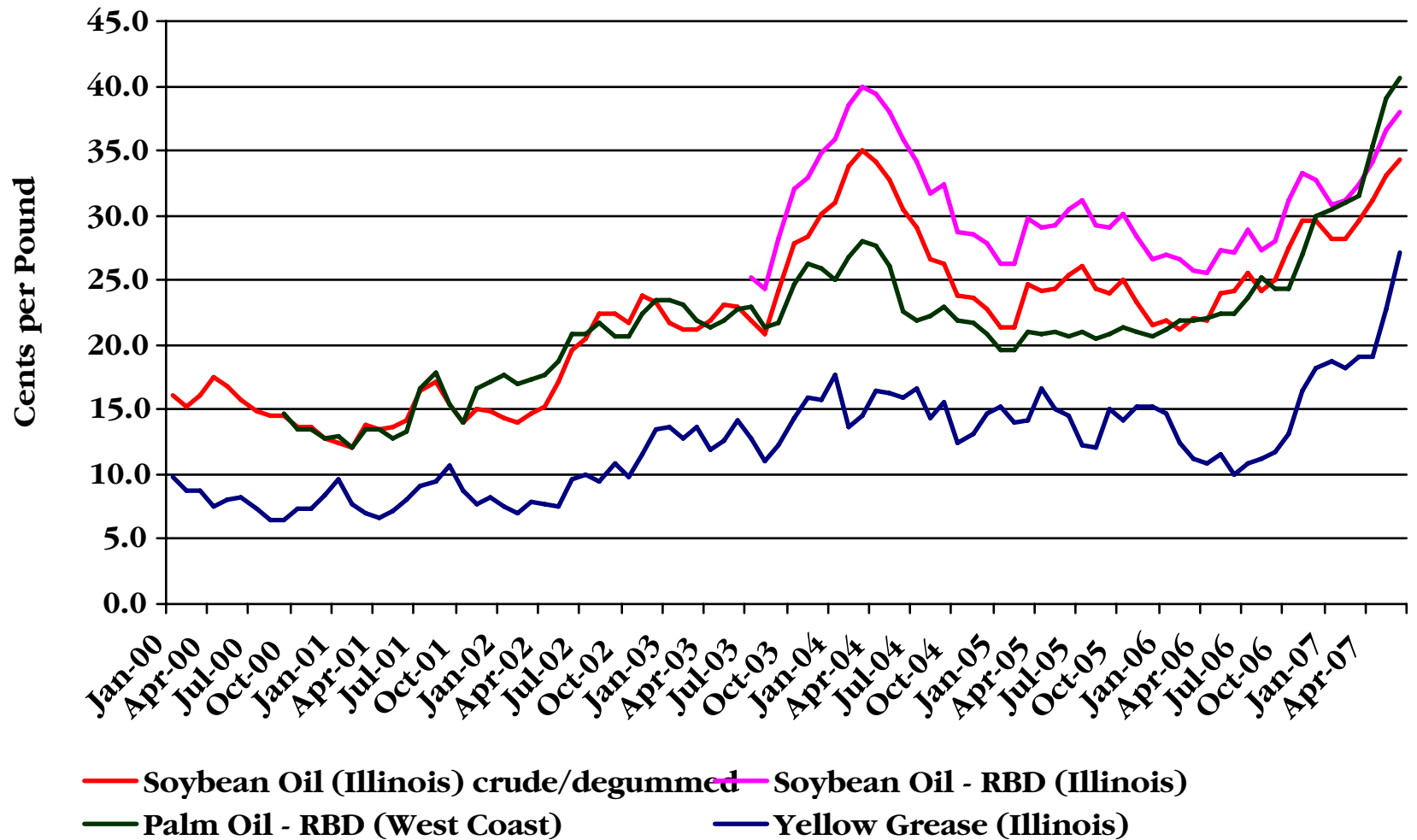
# Industry Legislative Priorities

- **Extension of Tax Incentives**
    - **Blenders Tax Credit**
    - **Small Agribiodiesel Tax Credit**
  - **Farm Bill Energy Title**
  - **Energy Policy**
    - **Alternative Diesel Fuel Standard**
    - **Investigate the role of biodiesel in carbon reduction strategies**
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- A group of men in suits are standing outdoors at a podium with microphones. A sign on the podium reads "Fueling America's Energy Needs". The background shows trees and a grassy area.

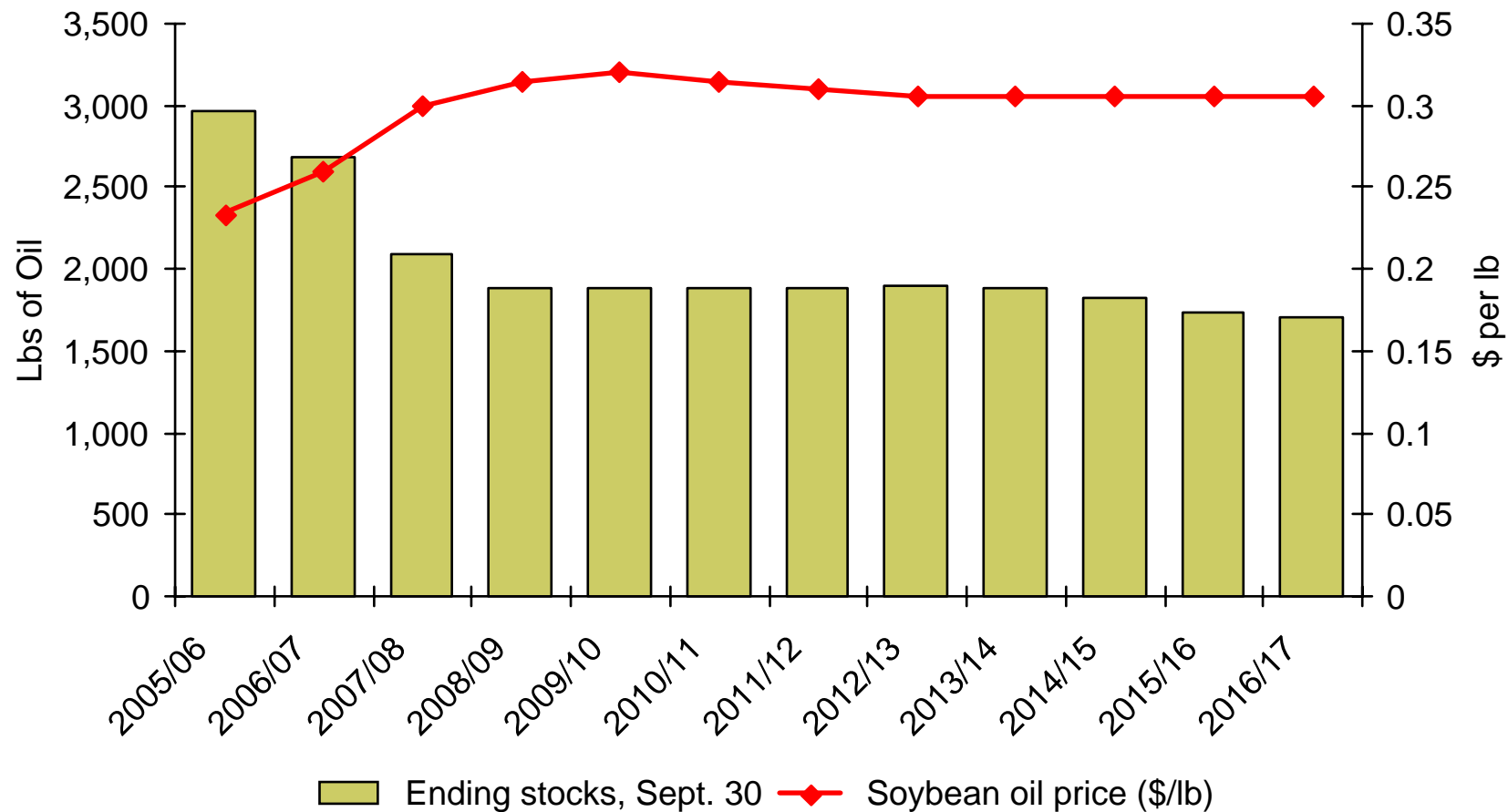
# Feedstock Pricing & Supply



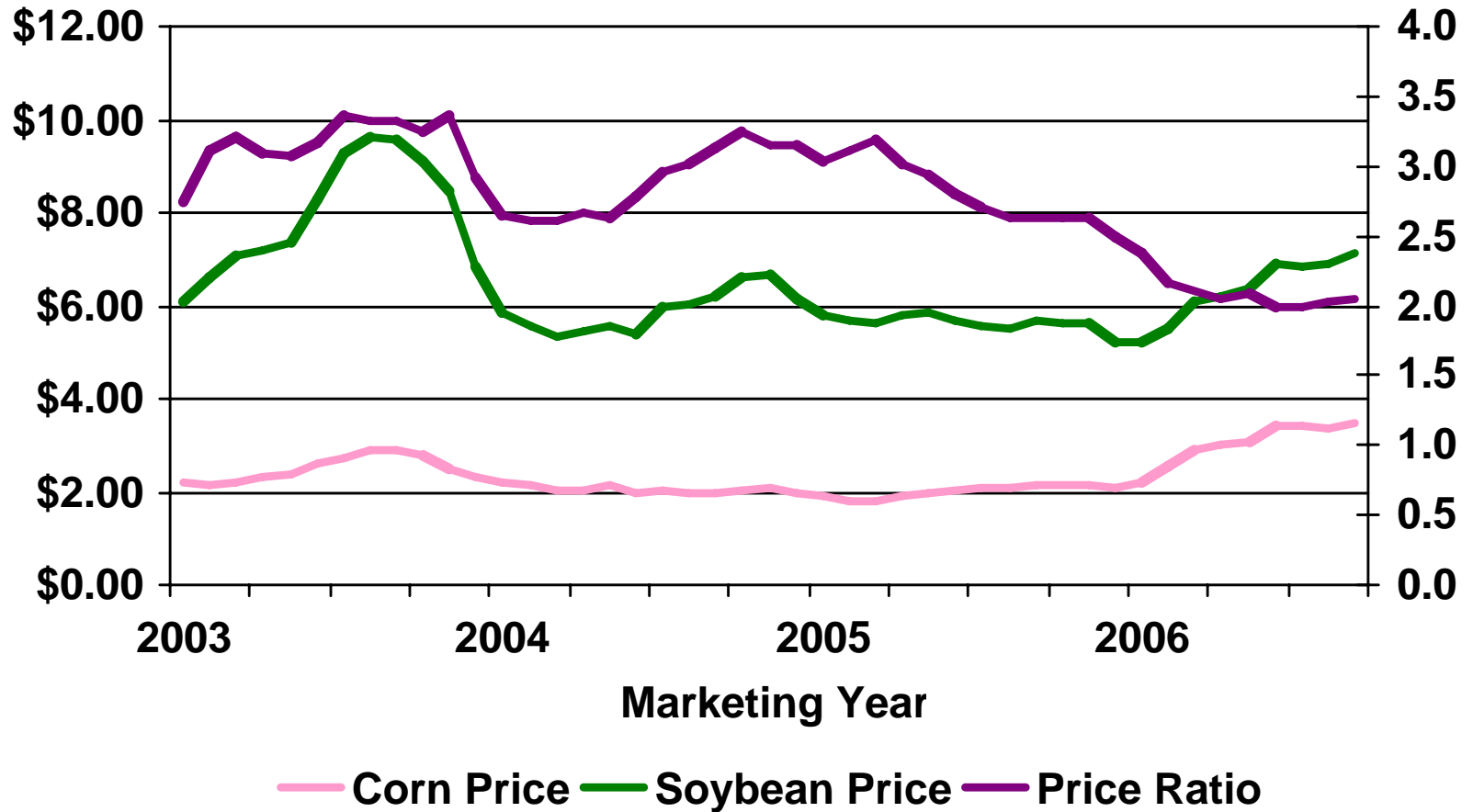
# Soybean oil, Palm Oil and Yellow Grease Prices



# USDA Soybean Oil Price and Ending Stock Projections



# Corn to Soybean Price Ratio



Source: USDA Oil Crops Outlook and Feed Grains Yearbook

# Raw Material Availability

- To date, soybean oil has been the predominant feedstock.
- Will there be a supply response?
  - Grow more beans?
  - Raise the means?
  - Change the genes?
- Additional Sources
  - Ethanol plants
  - High percentage oilseeds such as canola
  - Imports
  - Reduced exports
  - Mustard
  - Camelina
  - Algae

# Fuel Quality

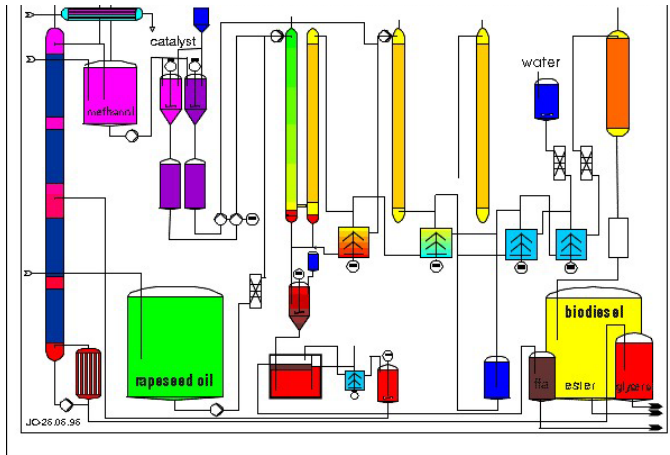


# Fuel Quality

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- ❑ Fuel quality is of the **utmost concern and importance** to the biodiesel industry.
- ❑ **ASTM D 6751** is the specification for biodiesel fuels irrespective of the feedstock source and/or processing method.
  - National Quality Program (BQ-9000) Launched for Biodiesel Marketers and Producers
  - Look for **BQ-9000 Certified Marketers:** Biodiesel's 'Good Housekeeping' Seal of Approval

# Objectives of BQ-9000



- ❑ To promote the commercial success and public acceptance of biodiesel
- ❑ To help assure that biodiesel fuel is produced to and maintained at the industry standard, ASTM D 6751.
- ❑ To avoid redundant testing throughout the production and distribution system.

# Who and What are Accredited

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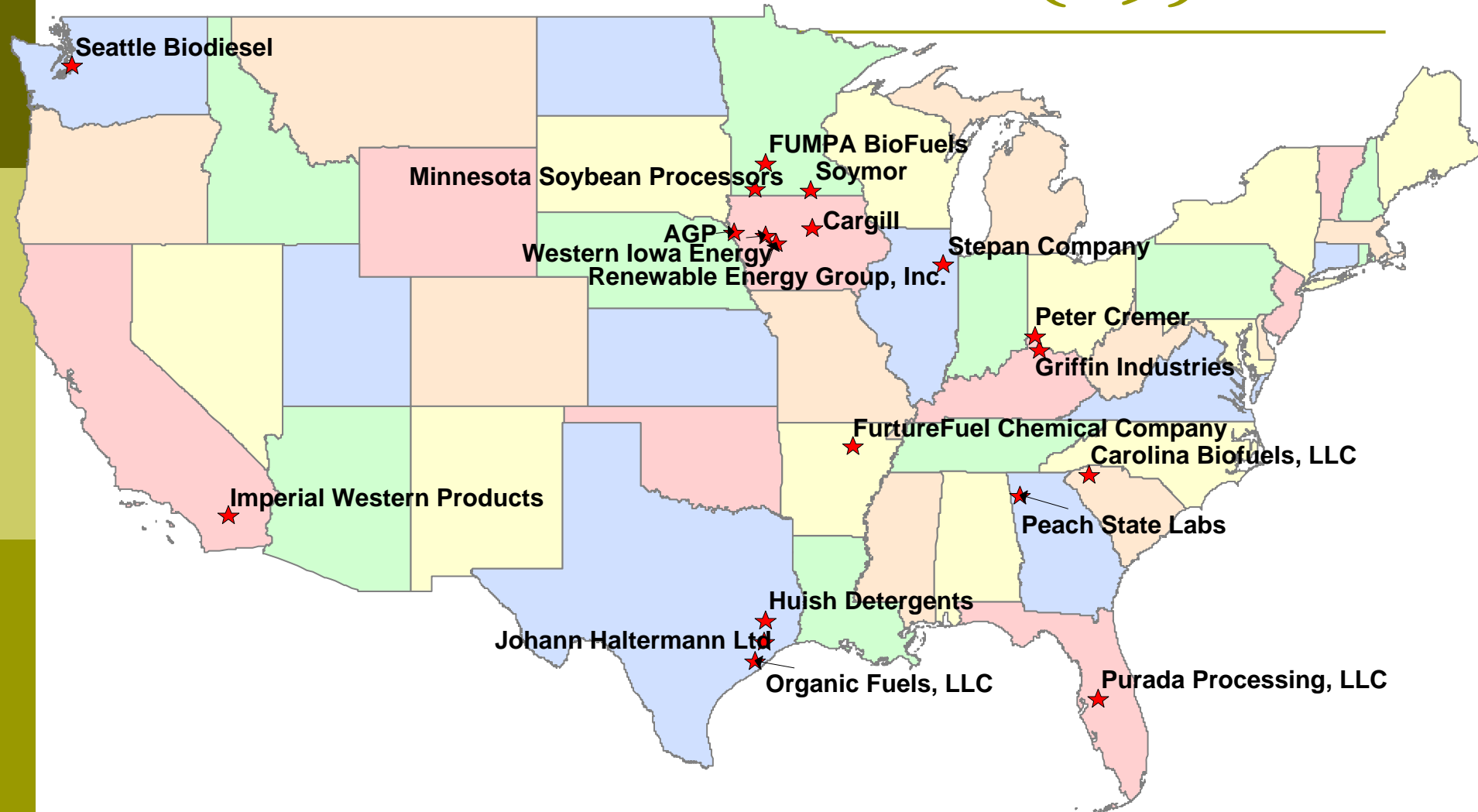
- **Two accreditations possible for companies:**
  - **BQ-9000 Accredited Producer**
  - **BQ-9000 Certified Marketer**
- **BQ-9000 accredits companies, not fuel**
  - **There is no such thing as 'BQ-9000 Biodiesel'**
  - **BQ-9000 does, however, help ensure that biodiesel produced and sold will meet D 6751**

# BQ-9000 Seals

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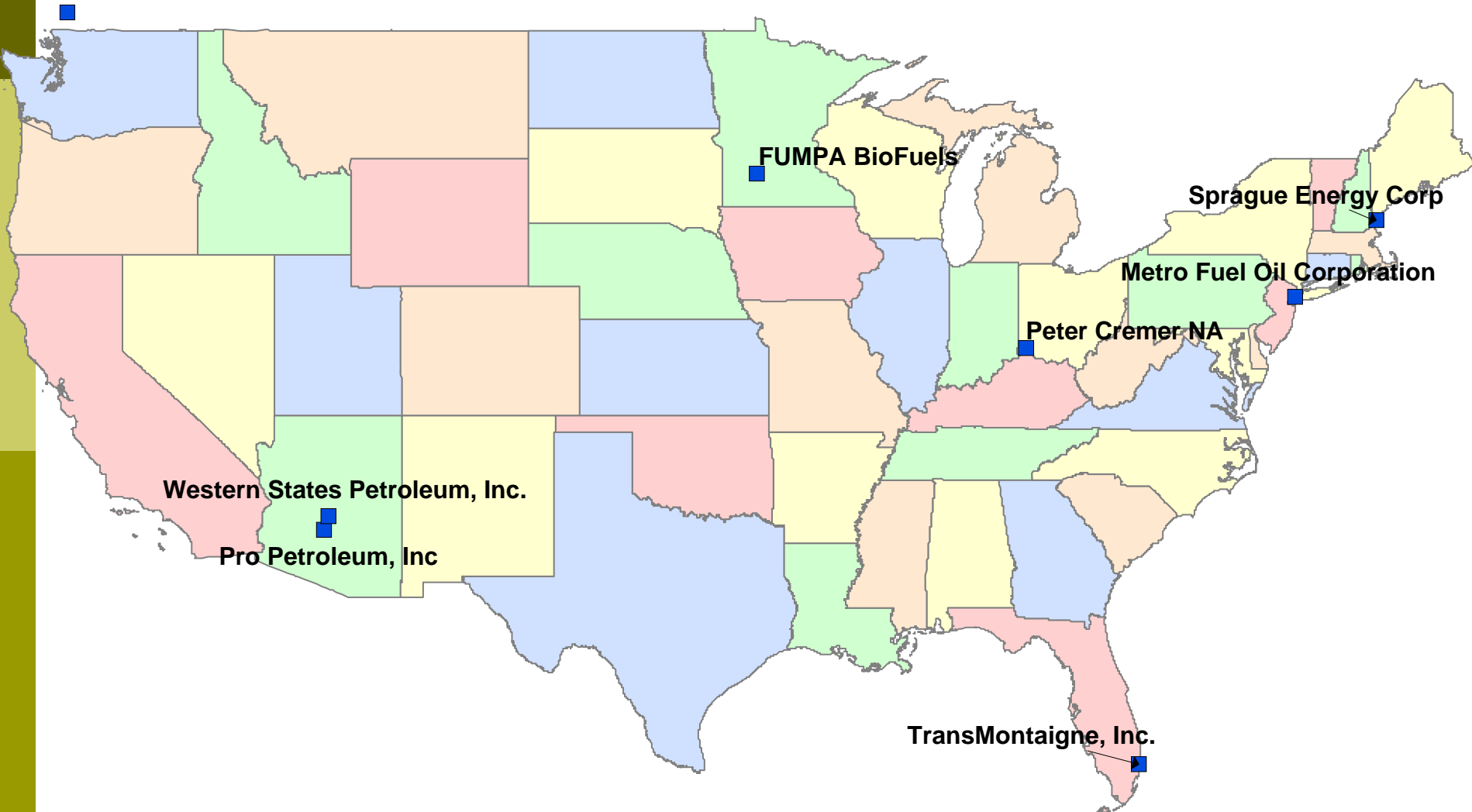
# Accredited Producers (19)



# Certified Marketers (8)

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Canadian Bioenergy.



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