

BIODIESEL POLICY

**Stephen Censky, CEO
American Soybean Association**

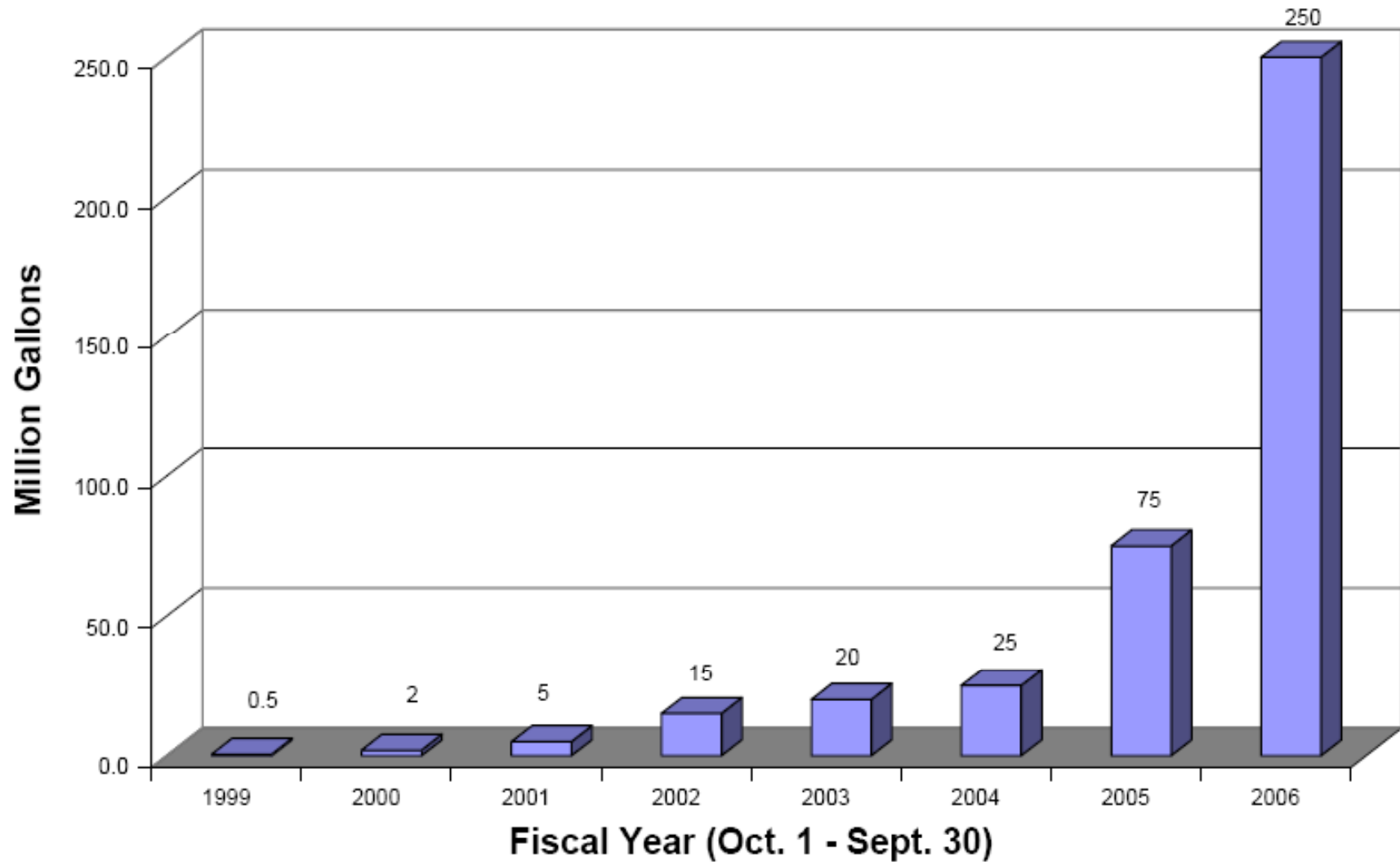
Policy History

- **The Energy Policy Act (EPAct) was amended in 1998 to include biodiesel as an option for covered fleets**
- **In the 2002 Farm Bill, a USDA Commodity Credit Corporation (CCC) Bioenergy Program was established. The program reimbursed bioenergy producers for a portion of the domestic feedstocks used.**
- **The biodiesel tax incentive was established under the American Jobs Creation Act of 2004. Extended through 2008 under the Energy Policy Act of 2005.**

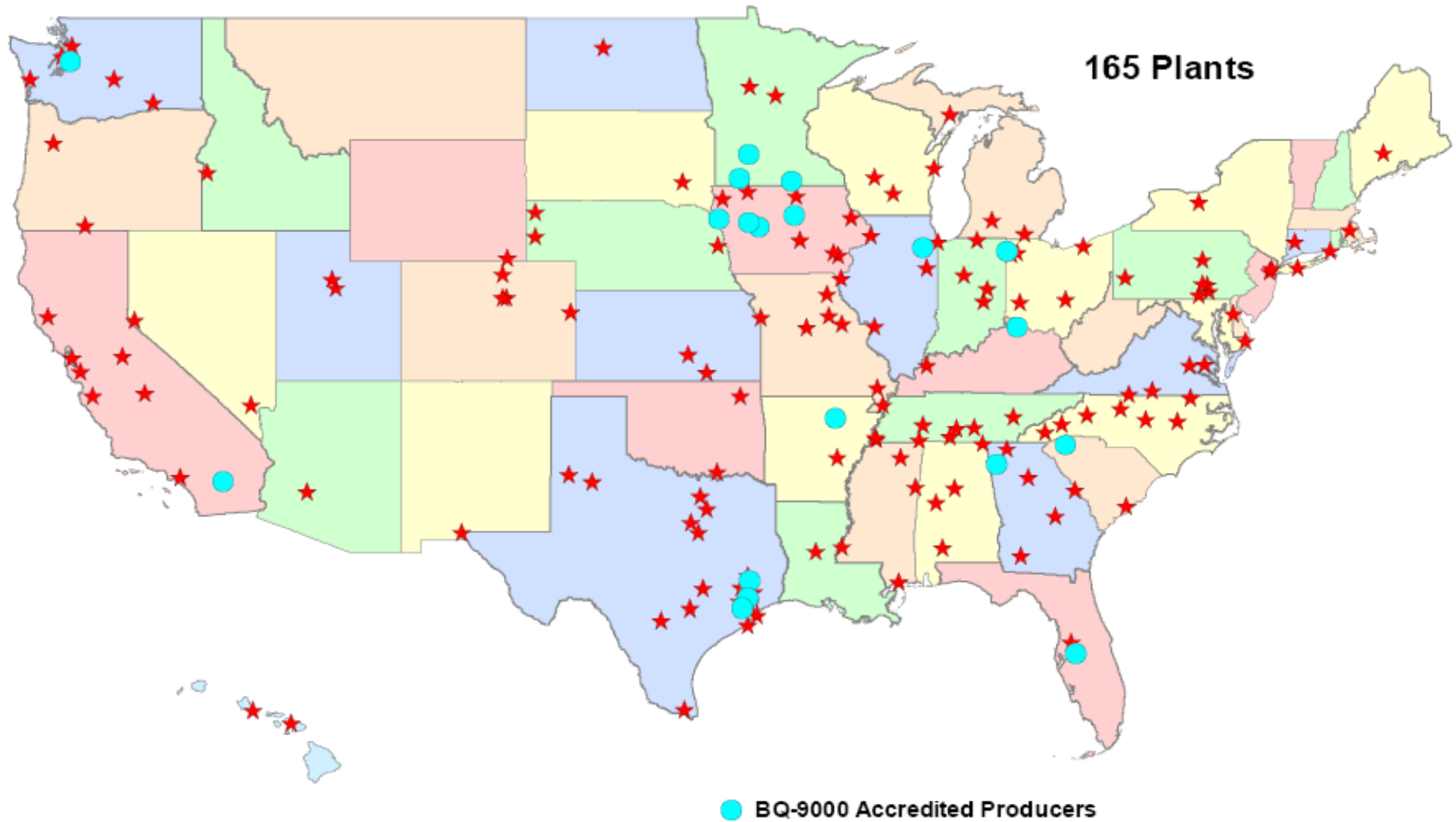
Current State of Biodiesel Industry

- **Biodiesel production has increased from 2 mil. gal. in 2000 to 250 million gal. in 2006. Estimated production for 2007 is between 300-350 mil. gal.**
- **There are currently 165 biodiesel plants with a production capacity of 1.85 billion gallons**
- **There are another 80 plants under construction and 4 undergoing expansion. Total capacity could soon exceed 3 billion gallons.**

Estimated US Biodiesel Sales

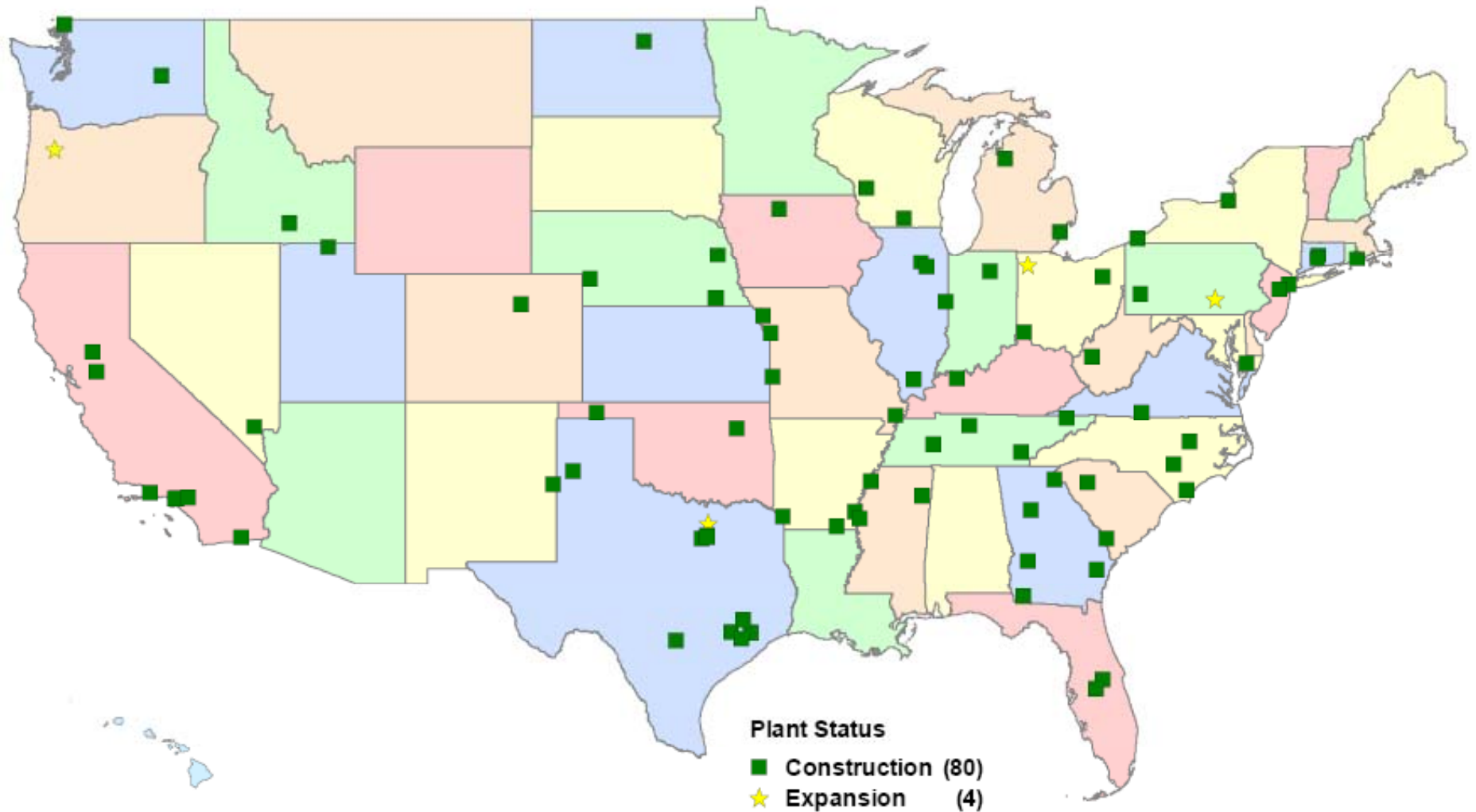


Commercial Biodiesel Production Plants (September 7, 2007)





Biodiesel Production Plants Under Construction or Expansion (September 7, 2007)

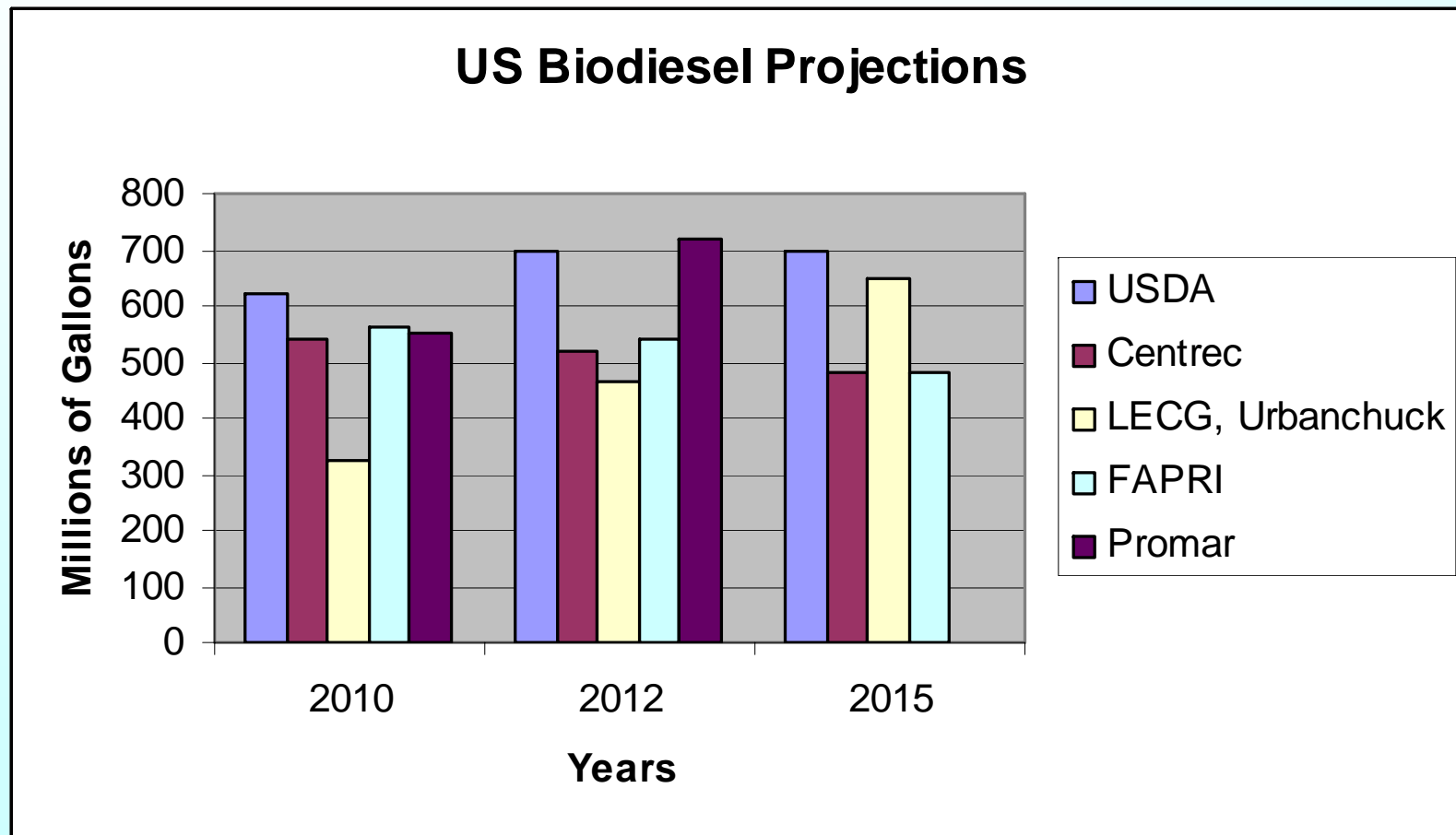


Future Biodiesel Production

- **Current feedstock prices, such as soybean oil, are at record highs. This has made biodiesel profitability and production tenuous.**
- **ASA seeking enactment or continuation of federal policies and programs to offset feedstock costs and build a more robust domestic biodiesel market.**
- **Future biodiesel production estimates vary. The outcome will depend on the price of oil, feedstock costs, and government policy decisions.**

	USDA	Centrec	LECG	FAPRI	Promar
2010	620	540	323.4	561	551
2012	700	520	465	540	717
2015	700	480	648.1	479	n/a

(Millions of gallons)



2007 Policy Priorities

- 1. Biodiesel Tax Incentive Extension**
- 2. Re-establish the USDA
Commodity Credit Corporation
(CCC) Bioenergy Program**
- 3. Enact a Biodiesel Fuel
Standard/Mandate**

Biodiesel Tax Incentive Extension

- **This is a top priority.**
- **A 2 year extension was included in the House passed Energy Bill.**
- **The Senate Finance Committee also included the extension in their energy tax package and is expected to include it in the Ag Tax Title scheduled for mark-up today.**

Farm Bill Energy Title – CCC Bioenergy Program

- **ASA seeking a Biodiesel Incentive Program that pays producers a per gallon payment on all production**
- **House Farm Bill included a CCC Bioenergy Program funded at \$1.4 billion. Biodiesel, cellulosic and other renewable energy sources would be eligible. Corn starch ethanol is excluded.**
- **Same provision was also included in the House passed Energy bill.**
- **Chairman Harkin has also proposed a similar program to be funded at \$1.5 billion, although offsets need to be found to pay for it in the Senate bill.**
- **Harkin's proposal would base the payments on aggregate Greenhouse Gas emission reductions. A 50% reduction would get a certain payment and those achieving 80% would get a higher payment.**

Biodiesel Fuel Standard/Mandate

- **Efforts are ongoing to establish a biodiesel fuel standard/mandate.**
- **Senator Durbin introduced S. 1616 that mandates an alternative diesel volume beginning at 450 million gallons in 2008 and increasing to 1.2 billion gallons in 2012. Eighty percent of that volume must be met by biodiesel (not renewable diesel).**
- **The Durbin bill also includes quality and labeling provisions and waiver authority in the event of feedstock disruptions.**
- **Similar legislation will be introduced in the House by Rep. Baron Hill (D-IN).**
- **ASA supports the establishment of a biodiesel fuel standard, but advocates a less aggressive volume schedule that begins at 350 million gallons and ramps up to 700 million gallons in 2012.**