Written Testimony
Of the
National Biodiesel Board

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Second Generation Bio Fuels:
The New Frontier for Small Business

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Chairman Shuler, Ranking Member Fortenberry and Members of the subcommittee, I appreciate your giving me the opportunity to testify.

I am Scott Barnwell, General Manager of Blue Ridge Biofuels, which is located in historic Asheville, North Carolina. I am here today on behalf of the National Biodiesel Board (NBB), the trade association for the U.S. biodiesel industry.

Blue Ridge Biofuels began in 2004 as a cooperative supplying sustainable biodiesel to its membership in the greater Asheville area and we currently employ ten people. Blue Ridge Biofuels is an employee owned business that produces and distributes biodiesel in western North Carolina. Our biodiesel facility can produce up to 1.5 million gallons of fuel per year, and a significant portion of the fuel we produce is derived from the used cooking oil we collect from 150 restaurants in Asheville and the surrounding area.

The cooperative grew over time into a sustainable fuel production business, employing local residents and providing some of the first publicly available biodiesel in the southeast. By focusing on the use of used fryer oil as a fuel feedstock, we have been able to maintain some control over the cost of fuel production, and have eliminated wasteful inefficiencies of transporting waste vegetable oil over long distances. By making local fuel from local waste vegetable oil, we keep these valuable resources in our local economy.

We supply fuel to 10 publicly accessible biodiesel pumps in the greater Asheville region. Blue Ridge Biofuels also supplies biodiesel blends to the Asheville Municipal Airport, the University of North Carolina in Asheville, and the city's electricity provider. We also deliver biodiesel to on and off road bulk facilities as well as provide BioHeat to more than 500 homes as a cleaner burning replacement for petroleum based home heating oil.

The citizens and businesses of Western North Carolina have responded enthusiastically by using our fuel to power personal vehicles, farm machinery, construction equipment, truck fleets, and home heating systems. In a few instances, we have even been able to collect waste vegetable oil from businesses like the Biltmore Estate, turn that oil into clean-burning biodiesel, and then sell the finished fuel back to the business for use in their diesel equipment. In doing so, we are closing an important loop by turning what was once considered a waste product into a valuable source of fuel that in turn keeps our mountain air cleaner and our economy stronger.

Blue Ridge Biofuels is making a positive difference in our community. Not only are we creating jobs and opportunities, we are doing our part to reduce America's dependence on oil by producing quality, clean-burning fuel from a feedstock that was previously a waste product. Your support for this sort of innovation will go a long way towards achieving energy independence.

My company's experience is a perfect example of the larger public policy benefits America gets from the production and use of biodiesel.

Biodiesel helps reduce our reliance on foreign oil and can play a major role in expanding domestic refining capacity. Increased use of renewables in the transportation sector can play a significant role in helping achieve these objectives. Merrill Lynch commodity strategist Francisco Blanch recently noted that oil and gasoline prices would be about 15% higher if biofuel producers were not increasing their output.

The 500 million gallons of biodiesel produced in the U.S. in 2007 displaced 20 million barrels of petroleum, and increased production and use of biodiesel will further displace foreign oil. In addition, biodiesel is an extremely efficient fuel that creates 3.5 units of energy for every unit of fuel that is required to produce the fuel.

Expanded biodiesel production is good for the environment. Biodiesel is an environmentally safe fuel, and is the most viable transportation fuel when measuring its carbon footprint, life cycle and energy balance. The USDA lifecycle study shows a 78% reduction in lifecycle CO2 for B100. The use of 1 billion gallons of biodiesel – consistent with the current Renewable Fuels Standard (RFS) - will reduce lifecycle greenhouse gas emissions by 16.12 billion pounds, the equivalent of removing 1.4 million passenger vehicles from U.S. roads. In 2007 alone, its contribution to reducing greenhouse gas emissions was equal to removing 700,000 passenger vehicles from America's roadways.

The biodiesel industry is also creating new, green jobs. In 2007 alone, the U.S. biodiesel industry contributed over $4.1 billion to the nation's Gross Domestic Product (GDP) and supported 21,803 jobs. In addition, economic modeling suggests that a vibrant biodiesel industry will positively impact the U.S. economy in multiple ways. America's biodiesel industry will add $26 billion to the U.S. economy between 2007 and 2012, assuming biodiesel growth reaches 1.0 billion gallons of annual production by 2012. Biodiesel production will create a projected 38,856 new jobs in all sectors of the economy and additional tax revenues from biodiesel production will more than pay for the federal tax incentives provided to the industry. Equally as important, it will keep billions of dollars in America that would otherwise be spent on foreign oil.

These benefits and the progress our industry has made and will continue to make in the future, would not have been possible without the bipartisan support that has put in place a public policy framework that allows renewable fuels like biodiesel to prosper. For example, the biodiesel tax incentive, which was enacted in 2004, is clearly working. The biodiesel industry has grown from 25 million gallons of production in 2004 to 500 million gallons of production in 2007.

Extension of the biodiesel tax incentive beyond its current date of expiration at the end of this year is our industry's most important request to Congress, and we are pleased that H.R. 6049, the Renewable Energy and Job Creation Act, approved by the House prior to Memorial Day, extends this important incentive. We are also supportive of the change in this legislation that allows all biodiesel, regardless of feedstock used to make the fuel, to qualify for the $1 per gallon incentive. This will provide added incentive to use non-food-waste-feedstocks such as restaurant grease in the production of biodiesel. From our personal experience, we know that quality fuel can be produced from restaurant grease. Think of the potential, if we can significantly increase the nationwide use of this waste product as a source of transportation fuel.

It is also worthwhile to note the importance of the expanded RFS that was included in the Energy Independence and Security Act enacted last December. For the first time, this legislation provides a renewable requirement for diesel fuel in the U.S. – a requirement that will reduce our dependence on foreign oil and constructively address the issue of climate change.

As the U.S. biodiesel industry continues to grow and mature, the development of second generation feedstocks will be a continued industry priority. The only limit to biodiesel's potential is the availability of new feedstocks. Fortunately, investment in new non-edible raw materials sources such as algae, seashore mallow, mustard, camelina and jatropha continues at an aggressive rate. The production of higher content oilseeds will likely create new opportunities for additional raw material supplies to the biodiesel industry. Already, private firms are offering camelina feedstock contract opportunities in the

Pacific Northwest and the U.S. Canola Association has established a new feedstock initiative to increase canola acres by 2010.

Algae is another potential feedstock for biodiesel. Biodiesel production from algae oil holds much promise for our industry. Though large scale production is still a few years away, many companies and universities are working to unlock the potential of these single-celled plants, which can contain up to 50 percent oil by weight. Once realized, oil yield per acre is expected to be the highest of any triglyceride source currently available. Yield projections in the medium term are estimated to range from 2,000-5,000 gallons per acre as compared to 61 gallons per acre for soybeans.

Ongoing research over the next four to five years will prove necessary in the development of new feedstocks, which is why the National Biodiesel Board (NBB) and its membership will continue to seek partners in the private, public, academic and non-profit sectors to promote this research that is of vital importance to the nation's energy needs.

Chairman Shuler and Ranking Member Fortenberry, I again want to thank you for giving me the opportunity to testify, and I would be more than happy to answer any questions you may have.