



Advanced
Biofuels
Association

**Subcommittee on Energy and Power
Energy and Commerce Committee
U.S. House of Representatives**

**The American Energy Initiative: Challenges and Opportunities for
Alternative Transportation Fuels and Vehicles**

**Testimony
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Chairman Whitfield, members of the Committee, I am honored to be with you this morning to discuss the great potential of alternative transportation fuels in America.

The Advanced Biofuels Association represents 36 of our nation's and the world's leading advanced biofuels companies and top feedstock producers. Since its inception our Association has advocated for public policies that call for technology and feedstock neutrality and parity for subsidies.

These are the businesses that are creating new jobs today to build the next generation of fuels.

Speaking to the focus of today's hearing, recent Energy Information Administration data (attached) shows that we used 290 billion gallons of various fuel products in 2010. Most of these gallons came in the form of gasoline, diesel, jet, and marine fuels, and heating oils. Over 50 percent of this demand was met using foreign oil or imported products. Advanced biofuels and cellulosic producers are uniquely positioned to produce fuels that can meet this demand while delivering more sustainable environmental performance.

The Association and its members believe that all the various renewable and alternative fuels should have an opportunity to make a contribution towards reducing our dependence on foreign oil. Stable, long term, common sense government policies will expedite this transition by helping to provide the market with certainty, which will spur private sector investment. We believe that a

sensible, economically driven approach that drives commercialization will lead to the strengthening of our national and economic security, while creating a significant number of new jobs for our country.

Recent developments in advanced biofuels technologies enable our companies to more rapidly make significant contributions in diversifying our transportation fuels pool. In fact, one of the most noteworthy developments in the advanced sector is the ability of many of the companies to manufacture gasoline, jet, diesel, heating oil and crude oil from renewable sources. These fuels are called "drop-in fuels" and are fungible in today's planes, trains, boats and automobiles. They do not require changing the current infrastructure or transportation fleets. Additionally, many of these fuels will focus on the part of the fuels pool that has had very little biofuels penetration to date, such as jet fuel, diesel, and heating oil, which comprise over half of the 290 billion gallons we use each year.

There are some who would like you to believe that advanced biofuels are a long way off, but nothing could be further from the truth. These fuels are being commercially produced today, with many more gallons on the way. In fact, Neste Oil has built 400 million gallons of renewable diesel production capacity, and Dynamic Fuels, a joint venture between Tyson Foods of Arkansas and Syntroleum of Oklahoma, is currently producing 75 million gallons of renewable diesel and jet fuel in Louisiana. These products meet the specifications for diesel and jet fuels as if they were made in a refinery out of a traditional barrel of oil.

In addition, I am pleased to report that recently several advanced biofuels companies have gone public with great success. As a result of its recent successful initial public offering (\$127 million) Gevo has begun its plans to retrofit a traditional corn ethanol plant to produce 18 million gallons of isobutanol, an energy dense fungible fuel, in Minnesota by June of next year. They have also announced plans to develop over 350 million gallons of production by 2015. This technology has the ability to ease the current pressure on existing blend wall restrictions. Similarly, Amyris out of California recently completed a successful \$84.8 million IPO and plans to deploy 75 million gallons of renewable diesel in 2012, while Solazyme and Kior, companies that also produce fungible "drop-in fuels," also announced their intentions to go public this year.

Several of our members including Rentech, Kior, Coskata, Sundrop Fuels, Honeywell, and LS9 are currently in the negotiating phase for loans to begin breaking ground on commercial facilities that will make significant quantities of drop-in or cellulosic fuels. BP and DuPont have formed a joint venture for

biobutanol, which, like isobutanol, can be made by retrofitting existing corn ethanol facilities, and is fungible in all on-road vehicles and pipeline systems.

Other notable successes can be found at companies like Virent Energy of Wisconsin, whose biogasoline was recently used in a Scuderia Ferrari at the South Korea Grand Prix. Sapphire Energy of New Mexico who had their biojet fuel used by Continental Airlines, and Rentech of Colorado tested their renewable jet fuel with United Airlines, while last year Solazyme of California sold 20,000 gallons of their renewable jet fuel to the US Navy.

These developments would simply NOT be occurring if it were not for the vision of this Committee and the Congress from 2005 to the present in enacting a framework to expedite the development of advanced and cellulosic biofuels. These fuels will make an immediate and significant contribution to backing out foreign oil and delivering a more sustainable and environmentally friendly future.

Our Association and member companies strongly believe the current RFS is the most important federal policy in supporting the development of a biofuels industry in this country. We would specifically urge this Committee and Congress to not tinker with the statute at this time. Since the rules were only finalized last July, we strongly urge the Congress to allow the markets and the players in the market to work within the current framework to see how much progress we make toward the overarching goals of the original legislation in the short term.

As far as specifics in the RFS rules, we want to complement the EPA on bringing forward the energy density and equivalency provisions from the original RFS 1 program. This is very important in rewarding more consumer-friendly energy dense drop-in fuels.

In addition, we support the manner in which the EPA has allowed the advanced pool mandates to continue despite shortfalls in some categories under the statute. This will help to drive more gallons in the short term using technologies that are economically competitive with the current oil prices.

One issue we would like to bring to the committee's attention today is the regulatory process at EPA and the certification of RIN credits. When Congress expanded the statute in 2007, the intent was to back out as many types and gallons of foreign fuel products as possible. Currently the EPA in their RIN certification process is showing a tendency to be very prescriptive and narrow in allowing some of the determinations of new qualified pathways as well as qualifying some

significant potential feedstocks. For instance, renewable bio-crudes from processes such as algae and pyrolysis can be refined using excess capacity at conventional refineries. We would urge the Congress to stay closely engaged with the Agency on these determinations. Many are moving forward at this time and could have a significant chilling effect if not resolved correctly. We support the EPA's efforts to protect the environment and existing commercial delivery chains, but encourage them to err on the side of bringing as many types of renewable advanced biofuels to the market as reasonably possible. We should take full advantage of the ability to back out all the various components of the market that use foreign barrels of oil.

As most of you are aware, the chief challenge of the advanced and cellulosic industries has been acquiring the necessary funding to build the next generation of facilities. The same has been true for others who would like to retrofit current first generation assets in both the ethanol and biodiesel sectors.

One of the primary reasons for the disappointing lack of commercial funding has been our biofuels tax policy. The current code is inconsistent in what it rewards according to the molecule, or feedstock or process used. Advanced and cellulosic biofuels tax policy does not provide parity and in many cases the credit is not in the right form to enable companies to monetize their value. For instance, producers using algae or other second generation technologies to make a gasoline receive a \$0.50 credit per gallon, while biodiesel and renewable diesel producers receive \$1.00 per gallon, and cellulosic ethanol \$1.01 per gallon.

Depending on your size and scale as a company, many in the advanced or cellulosic industry believe they would have been more successful if they had a similar Investment Tax Credit to the solar and wind industries rather than the production credits afforded under current law.

Our system of loan guarantee programs has been challenging at best. These provisions have been the subject of much controversy, and at a minimum we support the current levels of funding and would urge the Congress not to allocate money away from those funds. Many companies have already spent significant resources to apply and it would be unfair to pull the plug on the program at this time.

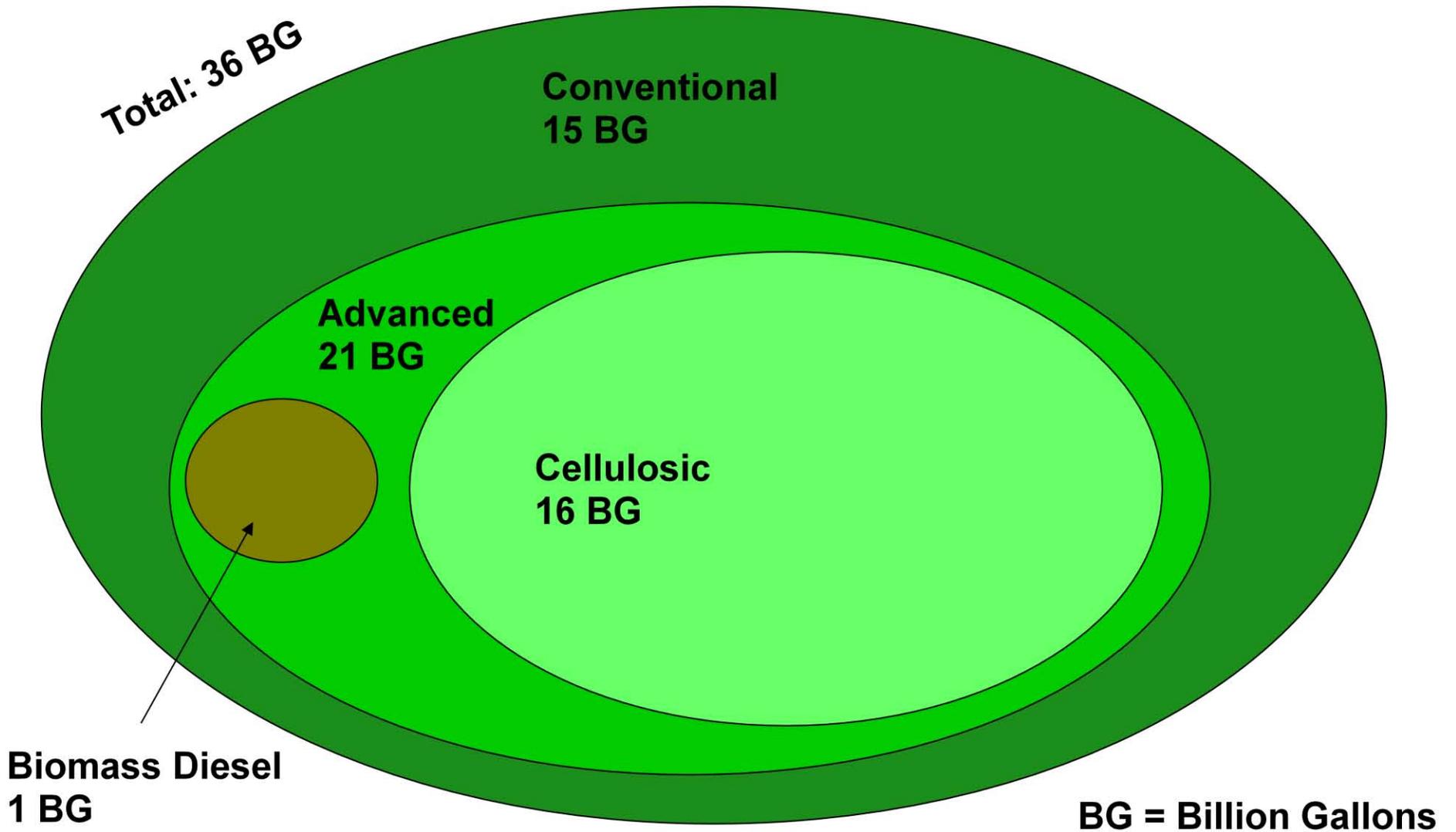
Lastly, on the procurement side it would be very helpful if Congress would extend the period of time in which the military can purchase advanced and cellulosic biofuels. The current fuels markets do not have long term purchase contracts similar to the power industry. Extending contracting length would help provide a

collateral event and enable commercial lenders to have confidence over a longer period of time, removing some of the risk and spurring investment. For this reason we support S. 212, The Freedom Fuels Act of 2011, which would grant the Department of Defense the authority to contract for biofuels produced in the United States for up to 10 years.

In conclusion, a significant amount of progress has been made over the last two years by the advanced biofuels sector. Much more is on the way as these fuels continue to make significant contributions towards diversifying America's, and the world's transportation fuels.

Thank you for the opportunity to be with you today. I look forward to your questions.

Renewable Fuel Standard RFS2



Domestic Oil Demand

Demand (1,000 bpd)	EIA data	EIA & Estimates	Projected		(Billion Gallons)
USA	2009	2010	%	2015	2010
Gasoline	8990	9040	0.0	9030	138.6
Diesel	3631	3660	1.7	3985	56.1
<i>On Road Transport</i>	2270	2290	1.5	2467	35.1
<i>Off Road Transport</i>	202	204	1.0	214	3.1
<i>Agricultural</i>	184	185	1.0	194	2.8
<i>Industry</i>	460	460	0.5	472	7.1
<i>Com. & Res. Heating Oil</i>	405	406	-2.0	367	6.2
<i>Bunkers</i>	110	115	18.7	271	1.8
Residual Fuel Oil	522	505	-4.1	410	7.7
<i>Bunker Fuel</i>	370	370	-5.7	276	5.7
Jet Fuel	1396	1410	1.0	1482	21.6
Kerosene	17	18	2.1	20	0.3
Naphtha	350	360	0.0	360	5.5
Other	927	1020	1.0	1072	15.6
LPG/Ethane	1840	1910	0.8	1988	29.3
Coke	428	425	1.1	450	6.5
Refinery Oils	646	660	-0.3	650	10.1
Total	18747	19008		19447	291.4

Other includes petrochemical feedstocks, aviation gasoline feedstocks, still gas, misc. products

Dynamic Fuels 75 Million Gallon a Year Renewable Diesel Plant



Geismar, LA