



Advanced
Biofuels
Association

**Committee on Environment and Public Works
United States Senate**

**Oversight Hearing on Domestic Renewable Fuels: From Ethanol to
Advanced Biofuels**

**Testimony
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Chairman Boxer, Ranking member Inhofe, members of the Committee, I am honored to be here this morning to speak at this Oversight Hearing on Domestic Renewable Fuels from Ethanol to Advanced Biofuels.

I appear this morning on behalf of the Advanced Biofuels Association (ABFA), a collection of 31 of our nation's and the world's top advanced biofuels companies. Two years ago, the ABFA appeared before this very committee to discuss the opportunities for advanced and cellulosic biofuels. This was prior to the release of the final regulatory rules for the Renewable Fuels Standard as a result of the passage of the Energy Independence and Security Act (EISA). Since that time advanced and cellulosic biofuels have seen some positive developments and some disappointments.

On the positive side, I am delighted to report that as a result of your work on EISA, we now have several new plants operating both in the United States and around the world which are producing advanced drop-in biofuels. These plants (Neste Oil and Tyson) are making renewable fuels for the first time, and can be used without changes to the transportation fleet or requiring any infrastructure changes to deliver them.

For example, Tyson foods in combination with Syntroleum of Oklahoma, is currently producing 75 million gallons a year in Louisiana of a jet fuel or renewable diesel from chicken fats and food greases. These fuels, which are being produced as we speak, are identical to those produced in refineries across America from a traditional barrel of oil. The initial sales from the plant have been to the United States Air Force and major U.S. refiners.

As a result of its recent successful Initial public offering (\$127 million private sector money) Gevo has begun its plans to retrofit a traditional corn ethanol plant to produce 18 million gallons of isobutanol in June of next year. Additionally, they have announced plants to develop over 350 million gallons of production by 2015. This could ease some pressure with existing blend wall concerns.

Other important developments include several California companies such as Amyris Biotechnologies (also successful IPO in 2010), Solazyme and Sapphire that are planning to produce renewable diesel, jet fuel as well as renewable oils converted to drop-in fuels.

Others of our member companies such as 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 advanced ethanol fuels.

These developments would simply NOT be occurring if it were not for the vision of this Committee and the Congress from 2005 to date to enact a framework to expedite the development of advanced and cellulosic biofuels. I urge you to reject the naysayers on advanced biofuels. They simply are not telling you the truth. These fuels are real, some are here today, and more are on the way! They will make an immediate and significant difference 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 for a biofuels industry in this country. We would specifically urge this committee and the Congress not to tinker with the statute at this time. Since the rules were only final last July, we strongly urge the Congress to allow the markets and the players in the market to work within the current framework and see how much progress we make toward the overarching goals of the original legislation for the short term.

As far as specifics in the RFS rules we want to complement the EPA on bringing forward the energy density (renewable hydrocarbon fuels) and equivalency provisions from the original RFS one program. This is very important in rewarding more consumer friendly energy dense fungible fuels.

In addition we support the manner in which the EPA has allowed the advanced pool mandates to continue to support and overall target numbers

despite shortfalls in some categories under the statute. This will help to drive more gallons in the short term from technologies which are economically competitive with the current oil products.

One concern we would call to the attention of the committee today is the overall intent of the Congress to back out foreign oil with as wide a range of fuels products as possible. That is why you expanded the statute to include other product lines.

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. 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 deliver chains but encourage them to err on the side of bringing as many types of renewable advanced biofuels to the market as reasonably possible. (see attached chart on the overall product slate currently used in the US). We should take full advantage of the ability to back out all the various components of the market which 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 would like to retrofit current first generation assets in both the ethanol and biodiesel sectors.

One of the primary disappointments has been our biofuels tax policy. Advanced and Cellulosic biofuels tax policy has been too inconsistent and is not tailored currently to provide parity or the right form of tax options to enable some companies to take advantage of the current law. In addition, other sectors of the renewable energy sector were afforded provisions such as a refundable investment tax credit which were not afforded the biofuels industry. 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 ITC option that the ones they are currently afforded under the law.

The code is also inconsistent in what it rewards according to molecule, feedstock or process. This penalizes many producers such as algae, and other second-generation biofuels. We would specifically support a broader

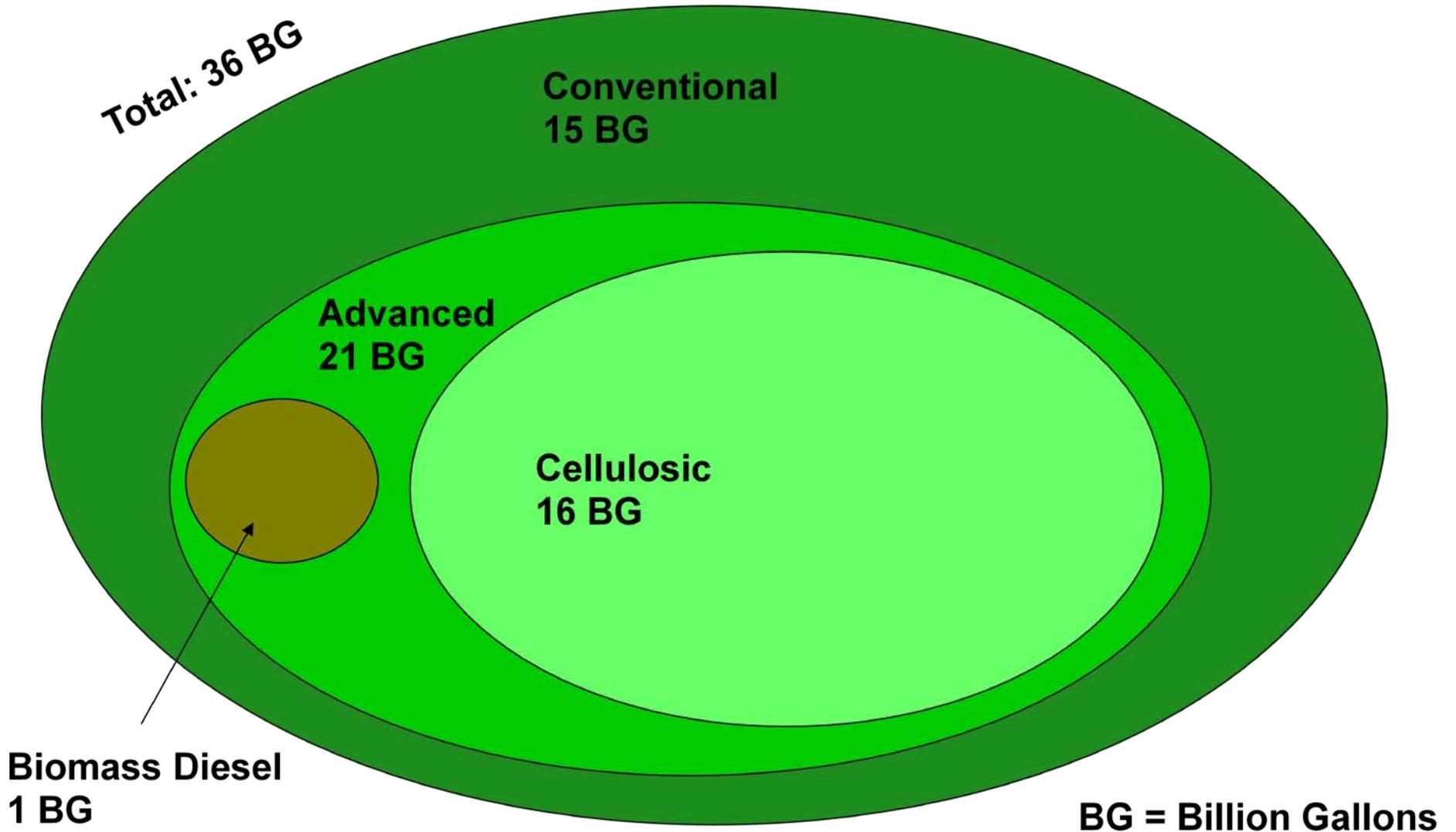
application and would specifically support the efforts to enhance the development of simple sugars from cellulosic materials.

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 pull the money of 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.

In the last two years a significant amount of federal funds were granted for renewable energy projects. But I'd like to call the Committee's attention to the startling fact that the Advanced and Cellulosic sectors were given pennies on the dollar compared to other sectors which, may well be important, but will require much longer time frames to develop, deploy and back out foreign oil. Advanced biofuels can make an immediate contribution to the nation energy diversity and security. We would hope moving forward the biofuels industry would be afforded levels of support at parity from the Administration and the Congress more in line with the electricity, and auto sector.

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

Renewable Fuel Standard RFS2



Dynamic Fuels 75 Million Gallon a Year Renewable Diesel Plant
Geismar, LA



Domestic Oil Demand

Demand (1,000 bpd)	EIA data	EIA & Estimates	Projected		(Billion Gallons)
	2009	2010	%	2015	
USA					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

US Refined and Imported Finished Fuels and Other Refined Products

