



*A monthly briefing on changes in the bioenergy industry*

## Biofuels Policy Update

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### **\$650 Million in USDA, DOE Loan Guarantees Includes Mississippi**

On January 20, 2011, the U.S. Departments of Agriculture and Energy jointly announced the availability of almost \$650 million in loan guarantees to four biofuel facilities, including one plant in Mississippi. Enerkem Corporation will receive an \$80 million loan guarantee for its biorefinery facility being built in Pontotoc County designed to generate 10 million gallons of biofuel per year from municipal solid waste supplied by the Three Rivers Solid Waste Management Authority of Mississippi. This conditional loan guarantee, part of USDA's Biorefinery Assistance Program, is in addition to a \$50 million grant awarded by DOE in 2009 as part of Recovery Act funding. USDA also offered \$75 million in loans to a biorefinery in Florida that will produce biofuels from citrus waste and agricultural residues. DOE offered a \$241 million loan guarantee for a renewable biodiesel facility in Louisiana and a \$250 million loan guarantee for a plant in Alabama to produce cellulosic ethanol from woody biomass—the largest loan guarantee for a U.S. biofuels producer. USDA's announcement can be viewed at <http://www.usda.gov/wps/portal/usda/usdahome?contentidonly=true&contentid=2011/01/0020.xml>.

### **EPA Grants E15 Waiver for More Vehicles**

On January 21, 2011, EPA announced the approval of a waiver to allow a blend of gasoline and up to 15 percent ethanol, or E15, for 2001-2006 model year cars and light trucks. The agency's announcement follows its approval of a waiver in October 2010 for the use of E15 in 2007 and newer model year vehicles. Industry analysts expect E15 could be available in some areas by the third or fourth quarter of 2011; however, outside of the Midwest these analysts do not expect E15 to be readily available commercially in the near future. EPA also announced no E15 waiver will be provided for motorcycles, heavy-duty vehicles, or non-road engines, citing lack of data. This lack of data likely also means EPA will not approve the use of E15 in 2000 or earlier model year vehicles. To read more about the announcement, visit EPA's web site at <http://www.epa.gov/otaq/regs/fuels/additive/e15/>.

### **Biodiesel Industry Prospects Improving**

The reinstatement of the biodiesel tax credit and other mandates appears to be improving the fortunes of the U.S. biodiesel industry, at least for now. In December, Congress and the President approved a number of renewable incentives that included retroactively initiating the \$1.00 per gallon biodiesel tax credit, which had expired at the end of 2009. Additionally, the current Renewable Fuel Standard requirements for biodiesel include 800 million gallons for 2011, and at least 1 billion gallons in subsequent years. EPA did not adjust the 2011 requirement for biodiesel when it lowered the requirements for cellulosic ethanol last November. Thus, the biodiesel industry has two important incentives in place for 2011 that it did not have in 2010. Industry leaders expect 2011 to be much better in terms of sales, as production fell to less than 25 percent of capacity in recent years. However, a number of challenges to a successful future remain. The tax credit is scheduled to expire at the end of 2011, and even with it biodiesel still has difficulties being cost-competitive with conventional diesel. Additionally, keeping the fuel mandates in place may become more difficult given the current relatively high prices of soybeans. However, biodiesel uses a much smaller portion of the nation's soybean crop compared to the share of the nation's corn crop used by ethanol.

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**Enerkem will receive an \$80 million loan guarantee for its biorefinery being built in Pontotoc County.**



**E15 has been approved for 2001 and newer model year vehicles.**



**Biodiesel received a much needed shot in the arm from the federal government in late 2010.**

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