

**Pennsylvania Biodiesel Producers Group (PABPG)
Remarks before State Senator Mary Jo White
Senate Environmental Resources & Energy Committee**

Wednesday, September 19th, 2007

Good morning and thank you for allowing me to appear before you. My name is Ben Wootton, President of Keystone BioFuels. Our firm is headquartered in Shiremanstown, Cumberland County. Eighteen months ago, we were the first company in Pennsylvania to begin full-scale production of biodiesel fuel made from Pennsylvania soybeans, and today we remain at the forefront as an innovative producer of renewable fuel in the Keystone state. In fact, our plant is located in part of the former Quaker Oats manufacturing plant, and we are re-using that site, creating new jobs, and contributing to the economy while we produce new energy solutions for Pennsylvania.

We are part of a collection of six biodiesel companies who have come together to form the Pennsylvania Biodiesel Producers Group. Our companies are strategically located all across the Commonwealth. Collectively, we have the capacity to produce 15 million gallons of biodiesel fuel per year – with the plants and facilities we have already invested in and those presently in place.

Energy policy is such a wide-ranging topic today that it's hard to get our arms around the various issues. Some energy technologies such as 'clean coal' solve part of the problem by encouraging energy independence, but don't solve other parts of the problem since they are not renewable or environmentally ideal. Such is the nature of energy as an issue – we always seem to be facing trade-offs between energy independence, environmental benefits, and economic viability.

Biodiesel overcomes the tension between these trade-offs. Not only is biodiesel renewable and environmentally friendly, but it is also derived primarily from Pennsylvania soybeans or animal fats so it supports the farming and livestock industry...and it is available today. Right now, we

can take our biodiesel fuel, put it into the fuel tank of a fire truck, transit bus, farm machinery, construction equipment, school bus, or tractor-trailer truck – and it will run smoothly and greatly decrease the petroleum pollution that goes into our air.

Earlier, I mentioned that all of the PABPG members can produce 15 million gallons of biodiesel fuel per year using their present production facilities. But we're not producing 15 million gallons, or anywhere close to that. In fact, you will hear testimony today that some producers have halted production entirely. And without your help, most of the producers in the commonwealth, including Keystone BioFuels will be forced to shut down production as well. With your help, we can prevent this ultimate end – but only with your help... and we need this help now, before it is too late.

So if biodiesel is so beneficial in so many ways, why are we struggling to produce it in Pennsylvania? In short, for two reasons – one, grain prices are fluctuating wildly due to nationwide speculation on ethanol and biodiesel fuel demand, and two, we are competing with biodiesel producers from twenty-four other states in the U.S. who are receiving a wide variety of incentives, including production incentives, to make their fuel cost-competitive.

How is this possible since Pennsylvania is in the midst of a major investment in alternative energy? Simple – we are moving forward on mandates without planning for producers. In other words, we're legislating that people will have to use millions of gallons of biodiesel fuel in the future, but we are not addressing where that fuel will come from. This is where we need your help. **We need a biodiesel production incentive plan included in the mandate to protect Pennsylvania-produced biodiesel from disappearing all together.**

There are regulations that protect different aspects of Pennsylvania's economy, but Pennsylvania biodiesel producers are not protected and have been suffering because of it. And that is why we are here seeking your iron-clad commitment to 'filling the gap' in our present state energy policy so that the 30 million gallons of biodiesel we want to see being consumed in Pennsylvania is coming, first and foremost, from economically competitive, locally-owned, Pennsylvania

biodiesel firms who are using Pennsylvania soybeans, Pennsylvania feedstock mills, and Pennsylvania crushing facilities in the process of meeting this mandate.

Our ask is simple – We seek a \$1 per gallon production incentive, which would effectively match the current federal incentive exactly. This would not be an untested experiment, either, since twenty-four other states have already passed a biodiesel production incentive policy. Based upon the economic impact results we've studied, it's clear that each dollar of this investment will derive \$8 to \$10 of in-state production impact. Furthermore, we are seeking this incentive for just three years. This is long enough for our in-state industry to mature, the grain markets to stabilize, and the demand to aggregate as we reach toward our mandate 'triggers'.

Without it, Pennsylvania will continue to face a flood of out-of-state trucks entering the Commonwealth to distribute biodiesel product made outside of Pennsylvania – and from crop farms and other suppliers based in other states as well. Meanwhile, our in-state biodiesel industry will literally collapse within the coming months. Again, we now this help now, before it is too late. Pennsylvania should lead the way on alternative fuel biodiesel production, not be hurt in the wake of other states' achievements.

We Pennsylvanians are proud of being part of state that can take care of its own needs. We have forests, farms, and coal mines. We produce steel and software, educate our own students, and provide strong job opportunities for our young people. Now is a critical time for us to get our energy policy right and make the same commitment to Pennsylvania first...with biodiesel. Reduce air pollution, create new jobs, and save the biodiesel industry with a biodiesel production incentive and mandate.

I will be happy to answer any questions you may have. I am also accompanied by a number of colleagues who are also available to address questions and points of consideration.

Again, we thank you for your time and look forward to working with you to collaborate on planning together for the future of Pennsylvania biodiesel.