

BIODIESEL Education Network News

From the National Biodiesel Board

a quarterly newsletter for the petroleum industry

spring '09

biodiesel emphasizes commitment to sustainability

The biodiesel industry is built on a foundation of sustainability, using available, renewable resources to help meet energy needs. Earlier this year, the National Biodiesel Board unveiled a formalized list of principles to guide the industry on these important issues. The principles demonstrate the industry's commitment to climate change mitigation, human rights, food security, and respect for natural resources

from soybeans co-produced enough soybean meal for 115 billion rations of protein for the hungry in developing countries.

Compared to petroleum diesel, biodiesel reduces life cycle carbon dioxide emissions by 78 percent. In 2008, biodiesel's contribution to reducing greenhouse gas emissions was equal to removing 980,000 passenger vehicles from America's roadways.



Emily Bockian Landsburg talks sustainability at the NBB Conference and Expo.

"We are already providing a very sustainable fuel, and these principles are another way we're ensuring that as our industry grows it continues to increase quality of life, safeguard the environment, and strengthen economies," said Emily Landsburg, Chair of the Sustainability Task Force, noting that biodiesel can be made sustainably from virtually all feedstocks. "Biodiesel improves air quality; it's renewable and it's creating green-collar jobs in our communities. The NBB is committed to keeping biodiesel on the cutting-edge of sustainability."

Biodiesel is the only fuel commercially available today that meets all the federal government's criteria of an "advanced biofuel." It is sustainable, renewable and a critical part of our nation's energy independence. Biodiesel is already the most diversified fuel on the planet. It is also driving innovative research and delivering new feedstocks. This includes promising new sources for biodiesel, such as algae.

The most recent study shows for every unit of energy used to create biodiesel, 4.5 units of energy are gained.

Visit biodieselsustainability.org for the complete list of Guiding Principles and more information.

Produced from a wide variety of renewable resources, including soybean oil, other plant oils, and even recycled restaurant grease, biodiesel is a truly sustainable fuel. Crucially, soybean-based biodiesel actually has a positive impact on the world's food supply. In processing soybeans for use in biodiesel, only the oil is used, leaving 80 percent of the bean available for protein-rich soybean meal. This soybean oil demand makes the protein portion cheaper than it otherwise would be. Last year, the 690 million gallons for biodiesel produced

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PO Box 104898 / Jefferson City, MO
65110-4898 / www.biodiesel.org

Editor: Jessica Robinson

Contributing Writers: Paul Nazzaro
Robert Cerio
Michael Frohlich

biodiesel quality assurance program, BQ-9000, continues growth

The most reputable biodiesel quality program in the world is now an even more powerful tool for biodiesel marketers. Becoming a certified marketer shows your consumers that you mean business when it comes to fuel quality.

The National Biodiesel Accreditation Commission (NBAC) continues to refine BQ-9000 protocols. The commission most recently approved revisions to both the BQ-9000 Marketer Program and the BQ-9000 Producer Program requirements.



Marketer Program changes include clarifying tank testing requirements, additional guidance on co-mingling shipments of B100 and modifying fuel blending verification requirements. Meanwhile, changes to the BQ-9000 Producer requirements involved including the cold soak filterability test in the critical testing parameters, refining production lot tank homogeneity requirements and added guidance on co-mingling production lots of B100.

The NBAC also released a new certification for commercial laboratories. The BQ-9000 Lab Program covers the establishment and maintenance of a quality management system in commercial laboratories that analyze biodiesel and biodiesel blends. Laboratories operated

by BQ-9000 Producers and Marketers are also eligible to seek this certification. The lab certification program focuses on several analytical related areas such as test result reporting, equipment calibration and maintenance, quality control and proficiency testing.

These revisions and constant vigilance to monitor and improve the BQ-9000 programs assures the voluntary programs remains a value added feature to product marketability. It also assures products can be followed from production to end user to easily and quickly manage potential quality concerns with a legal chain of custody.

There are currently 16 BQ-9000 certified marketers and 37 BQ-9000 certified producers. For a complete list visit: www.BQ-9000.org.

NBB Federal Affairs update and priorities

The U.S. biodiesel industry has made significant strides over the past few years. The industry produced 25 million gallons in 2004, and production increased to nearly 700 million gallons last year. The biodiesel industry today is the only industry that is engaged in commercial scale production of low carbon diesel replacement fuel that is accepted in the marketplace.

Despite recent growth, the biodiesel industry is in the midst of an economic crisis. Plants are having difficulty accessing operating capital. Volatility in commodity markets and reduced demand for biodiesel in both domestic and global markets are making it difficult for producers to sell fuel. Lastly, uncertainty relating to federal policy that is vital to the industry's survival is sending inconsistent signals to the marketplace and undermining investor confidence in the industry.

There are significant economic, environmental, and energy security benefits associated with the expanded production and use of biodiesel. The National Biodiesel Board (NBB) is actively working with policymakers and federal agencies to provide a stable, reliable federal policy framework that will allow the industry to weather the current economic crisis and continue making a positive contribution to the nation's overall energy strategy.

Biodiesel Tax Incentive:

The increase in both domestic biodiesel production and the production capacity is striking evidence that the biodiesel tax incentive is working. Legislation enacted at the end of last year, among other things, extended the incentive through December 31, 2009; provides that all biodiesel regardless of feedstock qualifies for the incentive; and closed the "splash and dash" loophole that allowed foreign fuel to be transhipped through the U.S. for the sole purpose of claiming the tax incentive.

If the tax incentive is allowed to expire at the end of the year, the price of biodiesel will be significantly higher than petroleum diesel, thus further reducing demand and making it nearly impossible for biodiesel plants to produce fuel at a profit. Thus, it is safe to assume that if the biodiesel tax incentive lapses, biodiesel production in the U.S. will halt or at a minimum be severely curtailed, and the energy security, environmental, and job creation benefits that the nation realizes from biodiesel production will be lost.

Further, the short-term nature of the incentive under current law inadvertently sends the signal to the marketplace that the federal commitment to biodiesel is tenuous. At a time when market conditions are less than ideal and investor confidence is strained, the temporary nature of the incentive undermines overall confidence in the stability of the industry. A multi-year extension of a reformed tax incentive that is structured in a manner to promote a stable, viable domestic

industry would address this situation and allow the U.S. to reap the multiple long-term benefits associated with the enhanced production and use of biodiesel.

Lastly, NBB is actively working to reform the biodiesel tax incentive. The reform proposal would change the incentive from a blender's excise tax credit to a production excise tax credit. This would preserve the liquidity of the incentive; make it easier for taxpayers and the IRS to administer the program; and properly align the incentive with the nation's overall energy policy goals.

Workable Renewable Fuels Standard (RFS-2):

The Energy Independence and Security Act, passed by Congress in December 2007, significantly expanded and improved the Renewable Fuels Standard (RFS-2). For the first time, RFS-2 specifically requires a renewable component in U.S. diesel fuel as part of the program's Advanced Biofuels Schedule. Specifically, RFS-2 requires the use of 500 million gallons of Biomass-based Diesel in 2009; 650 million gallons in 2010; 800 million gallons in 2011; and 1 billion gallons in 2012. Between 2012 and 2022, a minimum of 1 billion gallons must be used, and the Administrator of the EPA has the authority to set the use requirement at a higher level. Fuel must reduce greenhouse gas (ghg) emissions by 50% compared to conventional diesel fuel to qualify for the program.

The NBB supports timely implementation of the RFS-2 schedule established in P.L. 110-140. In addition, NBB was pleased by the notice issued by EPA late last year indicating that despite absence of a final rule implementing RFS-2, the agency plans to require the account for the 500 million gallons of Biomass-based Diesel that is required by statute in 2009. Though there are concerns associated with the economic assumptions and methodology being employed by EPA in calculating the ghg profile of various fuels under the RFS-2 program, NBB is working with federal officials to resolve these issues and move towards the implementation of a workable RFS-2 that can be fully implemented at the beginning of next year.

A long-term extension of a reformed biodiesel tax incentive and successful implementation of a workable RFS-2 program are consistent with sound energy policy and will provide a stable federal policy framework that will allow the biodiesel industry to survive the current upheaval in the marketplace and prosper in the long run. The NBB is dedicated to achieving this goal.



BEN: "Vision to Reality"

If information is power, you've been empowered!

The "Biodiesel Education Network" (BEN), began as the vision of Paul Nazzaro, President of Advanced Fuel Solutions and liaison to the National Biodiesel Board. Through an alliance with the National Biodiesel Board and the Petroleum Marketers Association of America, the intent was to aid in the advancement of biodiesel education and outreach. Established in July of 2004 the BEN response center has handled a wide variety of more than 3500 queries.

Biodiesel production in the U.S. has increased exponentially since BEN's launch, growing from 25 million gallons in 2004 to nearly 700 million gallons last year (see graph). The response center has worked to meet the needs of a growing industry, as is apparent with the overwhelming number of questions and interest in biodiesel, while the hotline has remained true to its mantra by providing quick and accurate answers. In fact, this service has been so successful in satisfying the needs of the U.S. petroleum industry, it now extends around the globe. Questions from all over the world have been sent to BEN for immediate, concise responses. The new demands being placed on BEN require expansion of the team supporting BEN in satisfying the needs of constituents.

A quarterly newsletter is one example of a tool being utilized in offering both e-copy and hard copy updates and reminders of the ever-evolving



Biodiesel and Bioheat® industries. The response center now tracks and plots trends of the most frequently asked questions and concerns.

Categories of questions have been developed and edited as the market has changed to aid in the development of a more accurate FAQ section, which will replace the top ten questions.

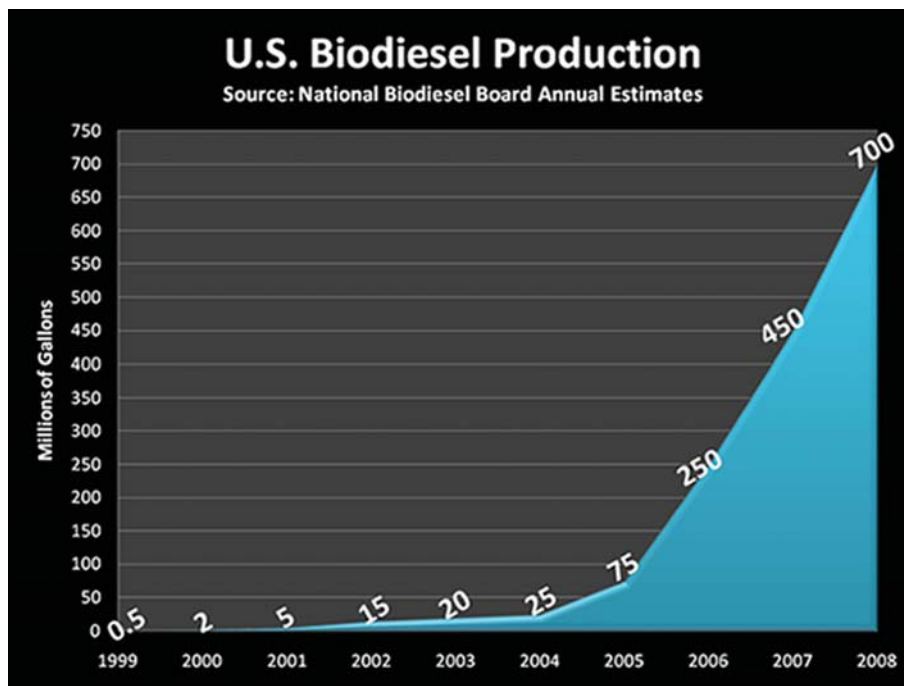
Over the next few months BEN will become an even more powerful tool with some minor changes to appearance, a more updated FAQ section, more on emerging markets such as alternative feedstocks, new technologies and applications. This will all help to meet the growing diversity of questions being received. The team managing the BEN response center is committed to quick, accurate and concise responses to questions that pertain to the Biodiesel and Bioheat® industry.

The task at hand can become daunting at times, when questions are asked by individuals that require volumes of information, and yet the team still does its best to guide them to the appropriate resources.

It is our focus and commitment to create awareness and provide education within the petroleum industry. To that end, we will provide accurate information on biodiesel and Bioheat® technology, including operational, handling, quality control and regulatory issues.

Empower yourself and tap into a greener, more efficient and promising future.

Visit www.biodiesel.org/askben.



On the Web

BEN News Sponsored by the USDA National Biodiesel Education Program

University of Idaho Biodiesel Education Program technical notes can be viewed at www.biodieseleducation.org.



remember spring cleaning for biodiesel tanks

Spring is a great time to open the window, air out the house and do some down-and-dirty cleaning. It is also the perfect time to ensure your tanks are ready for a hassle-free spring and summer.

Here are some tips to get you started:

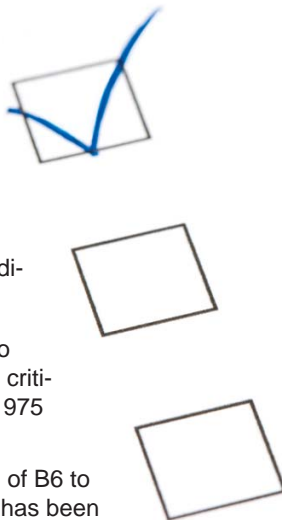
- Spring showers and melting snow mean more water, which may enter fuel storage tanks through vents, piping and containment areas. Check fuel containment areas for water regularly. Remove water when needed.
- As temperatures change, keep tanks topped off to minimize in-tank condensation and the air entering the tank.
- Water-finding pastes are effective at detecting water in biodiesel and biodiesel blends. Use of stick and water-finding paste is absolutely the most effective tank management protocol available. Tanks should be evaluated before and after each fuel receipt to ensure that no water arrived with the fuel delivery.
- Check tanks for water concentration and microbial contamination and consider the use of anti oxidant, anti microbial and water absorbing additives.
- It is recommended that storage tanks have a dispenser filter installed to keep any contamination from being passed along to vehicles. Quality is critical. Specify and take receipt of only ASTM D 6751 biodiesel, ASTM D 975 diesel fuel and ASTM D 396 heating oil.
- Be aware of new standards. ASTM D7467-08 covers biodiesel blends of B6 to B20. ASTM D396-08b, used for home heating and boiler applications, has been revised to include requirements for up to 5 percent biodiesel. ASTM D975-08a,

used for on- and off-road diesel applications, has been revised to include requirements for up to 5 percent biodiesel.

- Do not store B100 for long periods of time in systems containing reactive metals.

The old adage is true in spring and every season - "Use clean fuel. Keep it clean."

For more information see <http://www.biodiesel.org/> and search key word, "best practices."



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