



BIODIESEL BACKGROUNDER

Political and Public Support Increases Significantly. The bipartisan JOBS bill, signed into law in the fall of 2004, contained a biodiesel tax incentive. It is an excise tax credit amounting to one penny per percentage point of agri-biodiesel, and half a penny for no-agri-biodiesel blended with petroleum diesel. This is meant to reduce the cost of biodiesel to the end consumer in both taxable and tax exempt markets. At the state level, dozens of states passed legislation favorable to biodiesel in recent years, ranging from tax exemptions to infrastructure incentives. Minnesota has enacted the first-ever statewide law requiring the state's diesel fuel be comprised of two percent biodiesel in 2005. Robust for using blends in Illinois have spurred a strong market there.

OEM acceptance grows. Daimler Chrysler and John Deere have filled their new production diesel Liberties and most tractors and equipment with biodiesel blends at the factories, and are promoting B5's use. Volkswagen also came forward with its acceptance of B5. the use of B20 working with industry on securing stronger position statements from Original Equipment Manufacturers. A major initiative is also underway to ensure 2007 clean-diesel engines are biodiesel certified.

U.S. President Promotes Biodiesel. While promoting an energy bill for the U.S. Congress, President Bush frequently touted biodiesel as a promising fuel to help reduce our dependence on foreign oil and add value to farmers' crops. "I kind of, in jest, like to travel our country saying wouldn't it be wonderful if someday the President sat down and looked at the crop report, and said, man, we've got a lot of soybeans; it means we're less dependent on foreign sources of energy," Bush said in a White House talk with British Prime Minister Tony Blair. In the 2004 presidential election, Bush and Sen. John Kerry both pushed for renewable fuels such as biodiesel, and Kerry's bus was fueled with it.

BQ-9000 Becomes Quality Insignia in Industry. The BQ-9000 program is a unique combination of the American Society for Testing and Materials specification for biodiesel and a quality systems program that includes storage, sampling, testing, blending, shipping, distribution and includes an application review and on-site inspection by independent auditors. Peter Cremer North America and West Central were the first two accredited producers. Certified marketer is the other category.

Biodiesel use increases significantly. Hundreds of major fleets use biodiesel, including all branches of the US military, Yellowstone National Park, NASA several state departments of transportation, major public utility fleets such as Florida Power & Light, cities such as Seattle and more than 100 school districts. Businesses that use biodiesel include New Belgium Brewery and L.L. Bean.

Availability goes on the Rise. The number of biodiesel plants has risen to more than 35, with many more planned. More than 1400 petroleum distributors make biodiesel available to farmers and other consumers, and more than 450 retail pumps now make the fuel available to the public, one of which is located near the Pentagon in Washington, D.C. A map of suppliers can

be found in the "Buying Biodiesel" section of the NBB Web site at [www. Biodiesel.org](http://www.Biodiesel.org). Biodiesel has been further integrated into the petroleum infrastructure as terminals are carrying it, come located in Kansas, Indiana, Wisconsin, and Iowa.

U.S. Navy uses biodiesel in all Non-tactical Vehicles. The largest user of diesel fuel in the world, the U.S. Navy, provided guidance for all Navy and Marine stations, saying B20 should be used where adequate fuel tanks are available. The policy does not apply to deployable commercial equipment intended to support contingency operations. Some naval facilities that already use biodiesel are Port Hueneme, Calif.; Navy Public Works Center San Diego; NPWC Washington D.C. and NPWC Pearl Harbor, among others.

Development of NOx Additives. Biodiesel significantly reduces all emissions regulated by the EPA, with exception of nitrogen oxides, which contributes to localized formations of smog and ozone. The industry is having success with additives that bring NOx emissions down. Biodiesel is also compatible with 2007 clean diesel technology, which will reduce drastically NOx emissions. By using new clean diesel technology, NOx increases are not a concern.

CARB testing. NBB is pursuing verification of B20 as an alternative diesel fuel under the California Air Resources Board. "Interim Procedure for Verification of Alternative Diesel Fuels." Successfully completing the verification procedure could allow B20's participation in California pollution mitigation programs. Additionally, it will provide needed verification of B20 as being at a minimum NOx neutral as compared to the CARB diesel fuel. NBB is working with CARB staff to finalize the test protocol, after which testing can begin.

Biodiesel Concerns in Ultra Low Sulfur Diesel. The EPA finalized that a rule that will require that sulfur levels in diesel fuel be reduced from 500 parts per million to 15 ppm, a 97 percent reduction by 2006. The EPA, the petroleum industry, and equipment manufacturers all recognized during the rulemaking process that the refinery changes necessary to meet this in diesel fuel necessary to keep systems properly lubricated, Biodiesel is uniquely positioned to address the need for a lubricity additive in ultra low Sulfur diesel because it offers superior lubricity even low blends. For example, a one percent blend of biodiesel can improve lubricity by as much as 65 percent according to tests done by Stanadyne Automotive Corp. Biodiesel has virtually no sulfur and already meets the 2006 standard.

New Markets:

Trucking: The on road trucking market has been growing in biodiesel use. Much of this is due to Willie Nelson promoting biodiesel as well as forming his own biodiesel company, Willie Nelson Biodiesel, with partners. The company market B20 "Bio-Willie" and Nelson is kicking off Biodiesel availability at truck stops across the nation.

Bioheat Heating Oil. Many homes, especially in the northeastern U.S. use heating oil for heat. A B5 blend of heating oil, known as Bioheat is gaining momentum and many distributors are delivering the product to homes. This represents a potential market of 50 million gallons in the Northeast

Marine. The marine market has been embracing biodiesel due to its biodegradability in water and cleansing action for boats. Users include marinas, Ft. Lauderdale Water Taxi, Channel Islands National Park and charter boats at the Lake of the Ozarks and in North Carolina.

For more information, contact Maryland Biodiesel, Inc. toll free at 1-866-MDGROWN