



Biodiesel Economics

Focus on Public Policy

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Biobased Industry Outlook Conf.

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Overview

- ◆ Biodiesel dynamics
- ◆ Public policy impacts industry growth
- ◆ Policy drivers
- ◆ Policy direction
- ◆ Observations

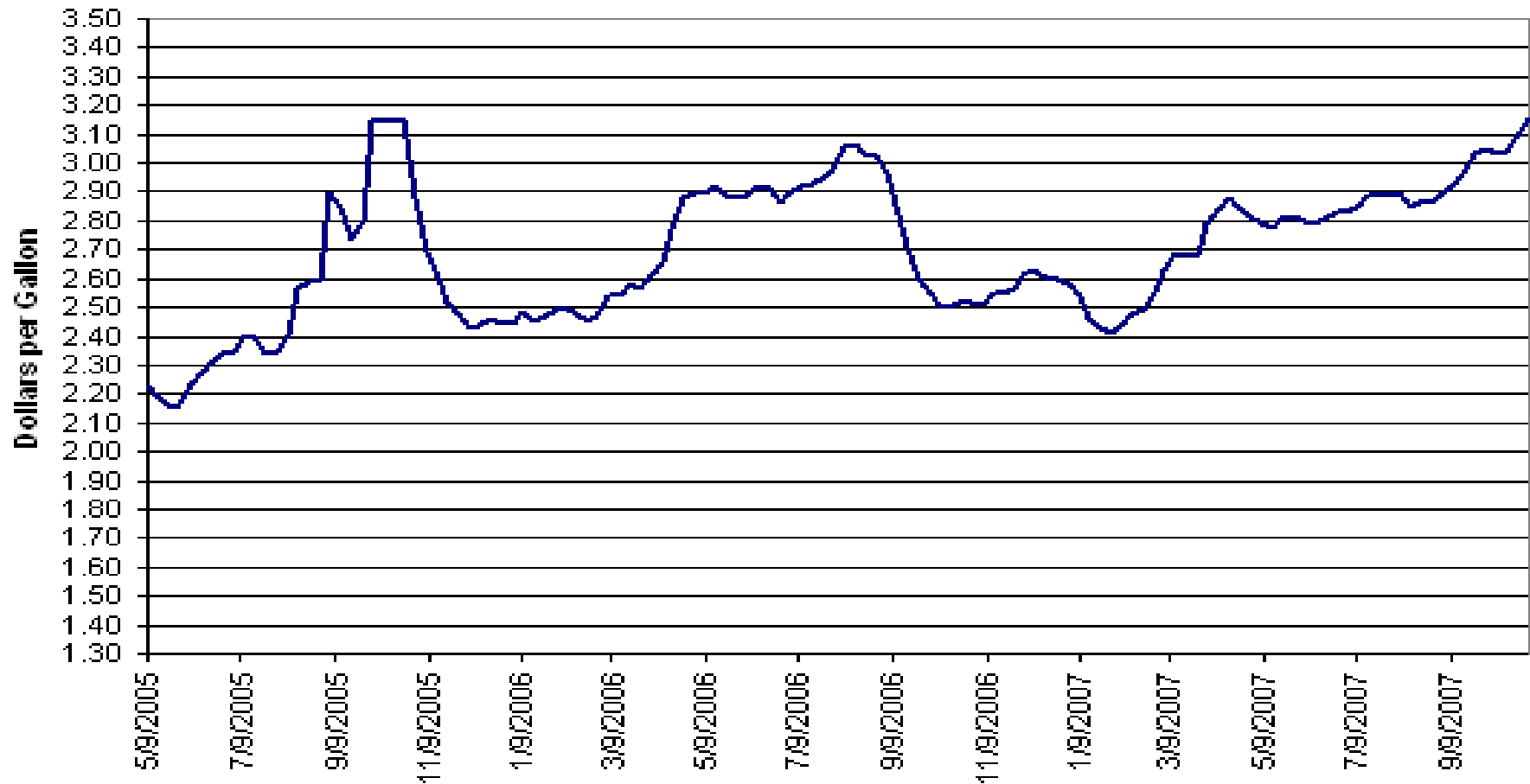


Biodiesel Dynamics

- ◆ Biodiesel's economics are currently influenced by fluid dynamics. Three primary factors are:
 1. Price of diesel fuel
 2. Feedstock costs
 3. Public policy

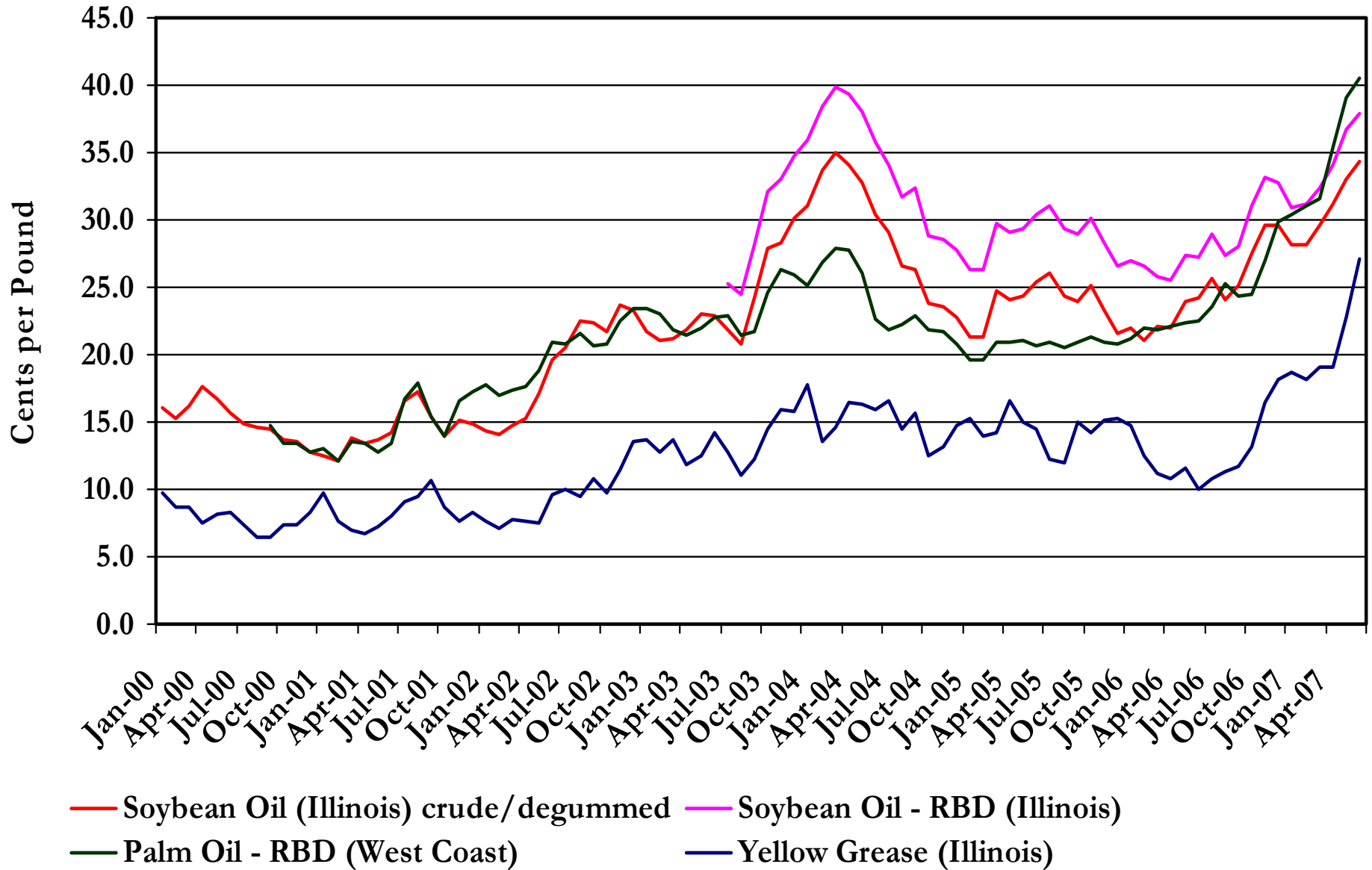


Weekly U.S Retail On-Highway Diesel Prices Average All Types



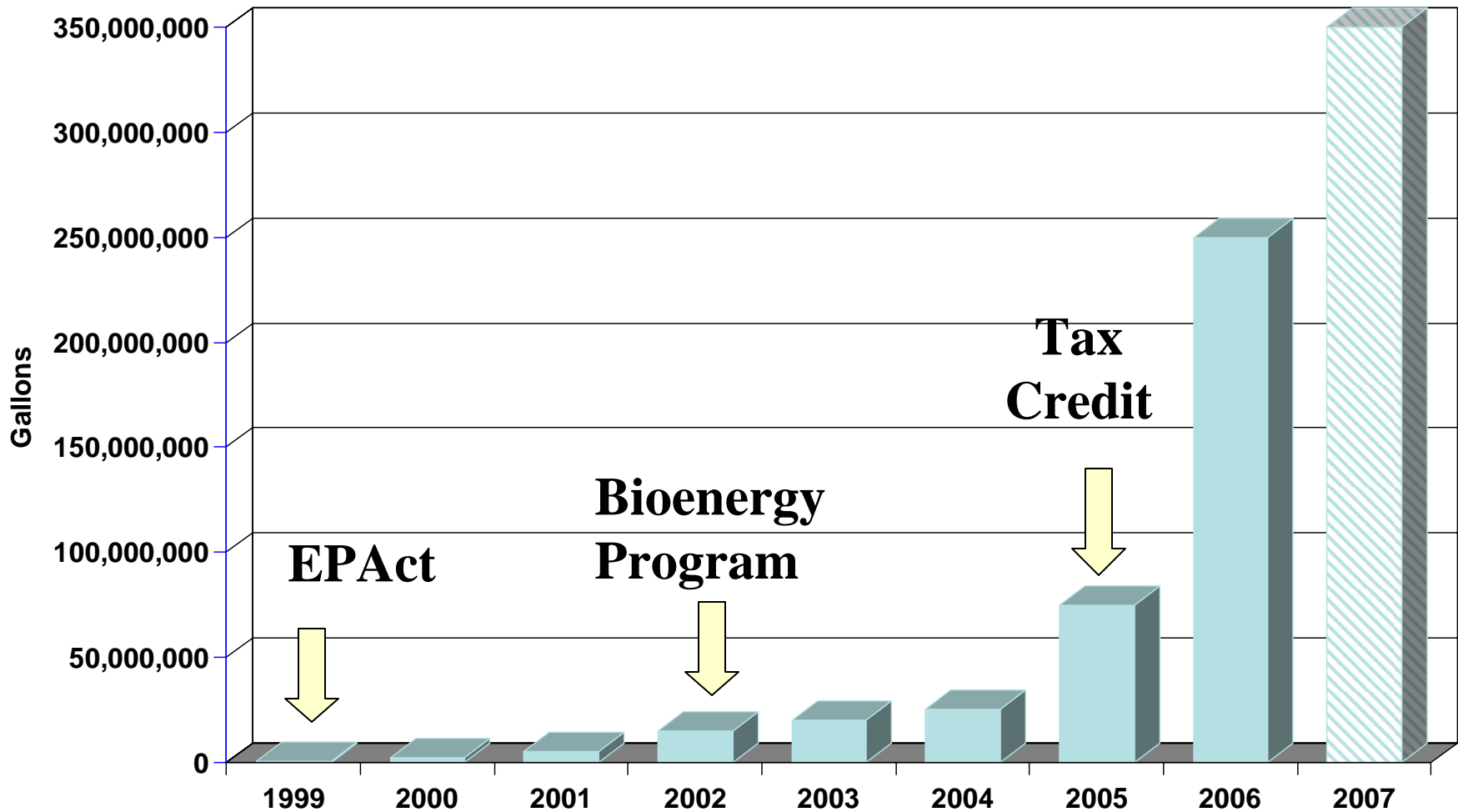
Source: Energy Information Administration





US Biodiesel Demand

350MM
(est.)



Key Policy Drivers

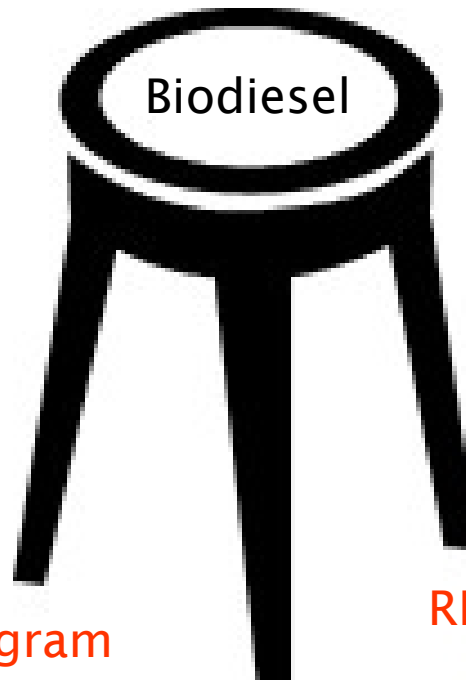
- ◆ 1998 Amendments to the Energy Policy Act
 - Biodiesel eligible fleet compliance option
- ◆ 2002 Farm Bill
 - Bioenergy Program
- ◆ Volumetric Biodiesel Fuels Tax Credits
 - Blender Credit
 - Small Agri-Biodiesel Producer Credit



Public Policy Platform for Biodiesel



Bioenergy Program



RFS for Biodiesel

Tax Credit



Observations

- ◆ Public policy initiatives utilized to spur development of the biodiesel industry can have significant return on investment to the Treasury:
 - Additional tax revenues from biodiesel production will more than pay for the federal tax incentives provided to the industry
 - America's biodiesel industry will add \$24 billion to the U.S. economy between 2005 and 2015
 - Biodiesel production will create a projected 39,102 new jobs in all sectors of the economy
 - It will keep \$13.6 billion in America that would otherwise be spent on foreign oil



Observations

- ◆ Seeing a new policy interplay between:
 - Agriculture policy
 - Energy policy
 - Tax policy
- ◆ Interconnection between historically unrelated commodity markets





**For information about
biodiesel, visit the National
Biodiesel Board's website:**

www.biodiesel.org

