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NEWS

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Senate Finance Committee Approves Excise Tax Exemption for Biodiesel *Key Step in Helping America Increase its Reliance on its Own Cleaner Burning Diesel*

JEFFERSON CITY, Mo. – The Senate Finance Committee today approved a tax incentive for biodiesel during its markup of the comprehensive energy tax package. In a critical bipartisan step to Senate passage, the Committee approved the provisions in S. 355 that Finance Committee Chairman Charles Grassley (R-IA) and Senator Blanche Lincoln (D-AR) had introduced. The legislation would provide a one-cent reduction in the diesel fuel excise tax for each percentage of biodiesel blended with petroleum diesel up to 20 percent.

"In a time of global instability and uncertainty, we should do all we can to develop domestic sources of alternative energy," Lincoln said. "Biodiesel shows great promise as an efficient, cost-effective fuel source. I'm delighted that these crucial incentives have been included in the Finance Committee's energy tax package so that we can encourage the market for biodiesel to expand."

"This green-energy legislation recognizes the diverse benefits of Iowa's abundant soybean crop with a new income tax credit and excise tax rate reduction for biodiesel fuel mixtures," Grassley said. "This tax incentive will help diversify our ag-based economy and accelerate the research, development and investment necessary to spur production of green energy sources using raw farm commodities."

The biodiesel tax provision does not reduce revenues to the Federal Highway Trust Fund while it does boost the U.S. economy through biodiesel production. "This legislation is key to helping the United States grow its reliance on American-made fuels while taking advantage of biodiesel's important public health benefits," said National Biodiesel Board Executive Director Joe Jobe. "Biodiesel is now one of the fastest growing alternative fuels in the nation largely without incentives, but it is still more costly than petroleum diesel. This tax incentive is a balanced approach to making biodiesel more cost competitive."

A 2000 General Accounting Office study done for Congress showed that in the previous 32 years, just the three largest special tax breaks for the petroleum industry cost \$132 billion, more than 10 times the tax incentives for renewable fuels. Last year, Congress was on the verge of approving an Energy Bill that contained strong biodiesel incentives. However, the 107th Congress ran out of time and did not take action on the Energy Bill before adjourning last November.

Representative Kenny Hulshof (R-MO) has introduced similar legislation, H.R. 1279 in the House of Representatives. Leaders in both the House and Senate have expressed interest in advancing major energy
(more)

legislation this summer. “There are several more steps to take before this biodiesel tax incentive can become law,” Jobe said. “We thank our current supporters and ask all Members of Congress to support this opportunity to increase America’s energy security and offer cleaner air.”

A 2002 Environmental Protection Agency (EPA) report of biodiesel emissions confirms substantial reduction of unburned hydrocarbons, carbon monoxide, and particulate matter compared to emissions from petroleum diesel. Because it is produced domestically, increased biodiesel use would also contribute to the economy and national energy security.

Biodiesel performs comparably to diesel, with similar BTU content and higher cetane. About 300 major fleets currently use B20 (a blend of 20 percent biodiesel and 80 percent diesel), including about a dozen school districts, the U.S. Postal Service, the City of Philadelphia, the U.S. Department of Agriculture (USDA), several public transit systems and national parks.

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Readers can learn more about biodiesel by visiting www.biodiesel.org.