Fuel Facts

On-Highway Fuel Cost Breakdown (Diesel)

- Distribution & Marketing: 7%
- Refining: 18%
- Crude Oil: 54%
- Taxes: 21%

Source: Energy Information Administration, 2005

Idaho Stats:

Gasoline Used
644,003,479 gallons (2005)
(~3 Million gallons of ethanol)

- Federal Tax: 18.4 Cents
- State Tax: 25 Cents

Diesel Used
401,865,221 gallons (2005)

- Federal Tax: 24.4 Cents
- State Tax: 25 Cents
Petroleum Subsidies (Incentives)

- Tax subsidies ($9.1 to $17.8 billion)
- Program subsidies ($38 to $114.6 billion)
- Protection subsidies ($80 to $130 billion)
- Environmental, Health and Social Costs ($232 to $943 billion)
- Other External Costs ($191 to $475 billion)

558.7 Billion to $1.69 Trillion Per Year

Source: International Center for Technology Assessment, 2004
Important Federal Alternative Fuel Mandates

- Executive Order 13149 (2000) Directs a 20% Reduction in Federal Fleet Petroleum Consumption
- EPA, 40 CFR Part 80, Requires Ultra-Low Sulfur Diesel
Federal Biofuels Incentives

- **Growers Incentives**
  - Commodity Credit Corporation (CCC Program)
    - Pays Market Prices for Feedstock
    - Limited Funding (~35% of calculated amount)
  - Farm Bill - Loans, Guarantees, Grants

- **Economic Development Incentives (State)**
  - Infrastructure, Loans, Guarantees, Grants

- **Producers, Blenders & Retailers Tax Incentives**
  - Fuel Quality Issues Limit These to Commercial Scale Plants
Federal Biofuels Incentives

Small Agri-Biodiesel/Ethanol Producer Credit
Provides a $.10 tax credit for each gallon of biodiesel/ethanol produced by small producers (i.e. production capacity of less than 60 million gallons annually). This tax credit is capped after the first 15 million gallons produced annually and is effective until the end of 2010.
Federal Biofuels Incentives

Small Agri-Biodiesel/Ethanol Producer Credit

The Credit passed in 1990 (SEPTC) was not effective but has been improved

- Offsets Alternative Minimum Tax
- Cooperatives Can Allocate Credit to Members
- Unused Credits Carried Back 1 Year – Forward 3 Years
- Becomes Income tax Deduction after Expires

Limitations

- Limited to Tax Generated by Passive Activities
- Subject to Taxable income Add Back Provision
Biofuels Infrastructure Tax Credit

A fuel retailer can claim a 30 percent tax credit, up to $30,000 for the cost of installing clean fuel refueling facilities. The credit took effect on Jan. 1, 2006 and applies to property placed in service between Dec. 31, 2005 and Dec. 31, 2009.
The Volumetric Ethanol Excise Tax Credit (VEETC)

This is a credit of $.51 for every gallon of pure ethanol blended into gasoline. For example, an E10 blend will have a credit available of $.051/gallon, and E85 will have a credit available of $.4335/gallon. This credit is identical for both E10 and E85, as are the forms to file for it. The VEETC went into effect on January 1, 2005 and sunsets at the end of 2010.
Biodiesel Excise Tax Credit

The tax credit is $.50 per gallon of waste-grease biodiesel and $1.00 for agribiodiesel. If the fuel is used in a mixture, the credit is 1 cent per percentage point of agri-biodiesel used or 1/2 cent per percentage point of waste-grease biodiesel. This credit for biodiesel producers was established in the American Jobs Creation Act of 2004 (Public Law 108-357) runs through the end of 2008.
Idaho’s First Commercial Scale Biodiesel Plant!

- New Plymouth
- +10 Million Gallons per Year
- Soy Oil Feedstock
  (Treasure Valley Ag Order)
- Sept. 15 Start-Up Event

The Math

$10 Million for Plant (by Rule)
$3.50 per Gallon for Diesel
~$.48 per Gallon Tax
$2.70 to Produce Biodiesel
$1.00 Production Credit (2008)

$1.32 \times 10 \text{ Million} = \text{Large Number}
63-2405. IMPOSITION OF TAX

• The excise tax rate set forth in this section shall, when applied to gasohol or to special fuels designed for use in diesel engines, be reduced by the same percentage that the quantity of denatured anhydrous ethanol contained in the gasoline or, in the case of special fuels the quantity of such special fuel which is derived from agricultural products or the wastes of such products, bears to the total fuel subject to tax. **Provided however, in no event shall the rate set forth in this section be reduced more than ten percent (10%).**
Does the Idaho Biofuels Incentive need an Update?

- With the advent of E-85 and biodiesel (B2, B20, B100), and federal incentives implementation can be confusing

- Based on the energy content of the fuels, and corresponding mileage, the tax may not be fair
State Biofuels Incentives

Biofuel Portfolio Standard

- Use, Acquisition Requirement(s)
- Task Force, Support, Plan, Research/Dev.
- Prohibit the use of exclusivity contracts between fuel distributors and gas stations that have limited the availability of renewable fuels for consumer use in their vehicles
State Biofuels Incentives con’t

- Fuel Tax Deduction or Exemption
- Tax Credits
  - Infrastructure, Production, Investment
- Grants and Loans
- Privileges
  - Decal/License, Parking, Fee Reduction
- Standards, Definitions, Fuel Equivalence
Why Bring Biofuels To Idaho? Ethanol & Biodiesel

- Economic Development & Support of the Agricultural Industry
- Energy Independence/Security
- Air Quality Improvements
- Non-Toxic, Biodegradable
- They are Better & Cheaper Fuels

What are the Goals of the Legislation?

Growers, Producers, Blenders/Retailers, Users
Idaho Biofuels Activities
Idaho Energy Division

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Biofuels Program
• Research
• Production
• Use

“My God! Talk about an energy crisis…”
January 2001

Ethanol Awareness Month

- Governor’s Proclamation
- Media Partnerships
- Ethanol Symposium
- Try 5 Campaign
Idaho Ethanol Program

- Tours, Workshops & Project Development Facilitation
  “The Minnesota Model”
- Southwest Idaho Feasibility Study
- South-central Idaho Feasibility Study
- Statewide Economic Impact Study
- Partnerships – Use, Infrastructure & Production
  - Treasure Valley Clean Cities Coalition
  - Greater Yellowstone Clean Cities

Growing Trend is Out-of-State Investment
Idaho Ethanol Impact Study

- 107 Million Gallons w/25% of Wheat, Barley & Corn
- 3,777 Jobs During Construction
- 1,900 Jobs During Operation
University of Idaho
World-Wide Leader in Biodiesel Research

The Pioneer

The French Fry Semi

Albertsons Used Cooking Oil

The Mustard Bug
Current Biodiesel Activities

- Biodiesel Utilization and Production Workshops & Conferences
- Investigation of Biodiesel Quality Sensing Technologies
- Feasibility Analysis for Commercial Biodiesel Production in the Treasure Valley
- Seed Processing Facility Feasibility Study
The B20 Treasure Valley Project

Energy Division pays any increased cost difference between B20 and diesel fuel to allow fleets to test B20 in their operations and transition them into full scale B20 use.

- Project Began In First Half of 2002
- Goal: Public & Private Sector Partners To Use 115,000 Gallons Of B20 Diesel Fuel
- Users Pay Regular Diesel Price; We Buy Down Any Increased Cost For B20
- Use Existing Or Created Bulk Fueling Sites
**B20 Project Results**

$32,883 Paid Out For 185,530 Gallons of B20
Where do you get the fuel?

- Public Stations in Shoshone, Driggs, West Yellowstone & Vale
- 2 Cardlock Stations in Boise
- Several Private & Fleet Tanks
Idaho Biodiesel Infrastructure Grant

For Construction or Improvement of Infrastructure Projects for Biodiesel Utilization in Idaho

- $289,000 Available in Funding
- Tanks, Piping, Values & Controls
- $100,000 Maximum, $10,000 Minimum, 50% Match
- Stinker Stations, Coleman Oil & Primeland Coop.

Over 35 Stations from Sandpoint to Boise will be Providing Biodiesel as a result of this grant
Idaho Biodiesel Production Facilities

About 40 groups investigating biodiesel production facilities as of 1/06 & about 20 licensed producers

- University of Idaho
- Seed Crops Grown in Idaho Produce Superior Biodiesel
- Seed Crops Are Good Rotation Crops for Idaho Farmers
- Cattle Provide Good By-products
- No Seed Processing Plants
Southeast Idaho Straw to Ethanol
Iogen of Ottawa, Canada, want to use 800,000 tons of straw to produce 60 million gallons of ethanol per year and other co-products

- Idaho Falls
- Pocatello
- Burley
- Heyburn
- Buhl
- Caldwell
- Potlatch
Thank You

THIS SPUD’S FOR YOU!