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President Signs Bill Containing Biodiesel Tax Incentive

Increased biodiesel demand will benefit all Americans

SAINT LOUIS, Mo. – President George W. Bush today signed into law a bill containing the first biodiesel tax incentive, a provision that is expected to increase domestic energy security, reduce pollution and stimulate the economy. The American Soybean Association (ASA), the National Biodiesel Board (NBB) and biodiesel enthusiasts commended Washington leaders for passing the biodiesel tax incentive and extending the ethanol tax incentive as part of H.R. 4520, also known as the American JOBS Creation Act of 2004.

“This tax incentive generated strong bi-partisan support because it truly is a win for all Americans,” said NBB chairman and ASA first vice president Bob Metz of South Dakota. “Our nation has a direct interest in taking steps to promote renewable fuels, like ethanol and biodiesel, which lessen our dependence on foreign oil. Biodiesel has many benefits that are important to all citizens. It reduces emissions that are harmful to human health and the environment, it’s nontoxic and biodegradable, and its increased production will create jobs.”

Senator Chuck Grassley (R-IA), Senator Blanche Lincoln (D-AR), Congressman Kenny Hulshof (R-MO) and others championed the tax incentive.

“Biodiesel holds great hope to help reduce our dependence on foreign oil and improve our environment,” Grassley said. “The President’s signature will begin the process of making that hope a reality. The tax credits for biodiesel and other renewable fuels included in my JOBS bill will allow us to begin looking to farmers, rather than the Middle East, to fuel our future.”

“Creating new markets for our agricultural producers will strengthen our farming communities,” Lincoln said. “That we are reducing our dependence on foreign oil at the same time is an added bonus to our national security. These incentives create a win-win situation for our country.”

The biodiesel tax incentive, which is structured as a federal excise tax credit, amounts to a penny per percentage point of biodiesel blended with petroleum diesel for first-use oils, like soybean oil, and a half-penny per percentage for biodiesel made from other sources, like recycled cooking oil. It will lower the cost of biodiesel to consumers in taxable and tax exempt markets.

The incentive is expected to increase biodiesel demand from an estimated 30 million gallons in fiscal year 2004 to at least 124 million gallons per year, based on a United States Department of Agriculture study. However, depending on a number of other factors including crude oil prices, the industry projects that demand could grow much higher than that in the next decade.

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“With a biodiesel tax incentive on the books, demand for biodiesel will increase dramatically,” said ASA President Neal Bredehoeft, a soybean farmer from Alma, Mo. “For every 100 million gallons of soy-based biodiesel demand, the price of a bushel of soybeans is expected to increase by 10 cents. That could add an average of another \$2,000 to the bottom line of farmers growing 500 acres of soybeans.”

The tax incentive will take effect Jan. 1, 2005, and lasts for two years. It is expected to provide an economic surge in several sectors of the U.S. economy including manufacturing, agriculture, and all sectors that provide support services to these industries. It’s estimated that the tax incentive could create up to 50 thousand jobs in the United States over the next ten years. The provisions will significantly benefit the U.S. economy and could increase U.S. gross output by almost \$7 billion.

President Bush signed the JOBS bill after discussing his support for biodiesel from the campaign trail several times, one of which was during the second presidential debate before an audience of 47 million people. He signed the bill while aboard Air Force One.

A national public opinion survey of adults showed 89 percent of Americans thought it was important for Congress to pass a biodiesel tax incentive to make American-made biodiesel more cost competitive with regular diesel fuel. The survey showed strong support for biodiesel as a way to help reduce U.S. dependence on foreign sources of oil and to provide potential health benefits to consumers. The online survey of 1,042 randomly selected adults was funded by the Biodiesel Education Program, a U.S. Department of Agriculture grant awarded to the National Biodiesel Board. It was conducted by Moore Information Public Opinion Research June 26-27, 2004.

Biodiesel is a cleaner burning alternative to petroleum-based diesel, and it is made from renewable resources like soybeans and other natural fats and oils, grown here in the United States. It works in any diesel engine with few or no modifications. It can be used in its pure form (B100), or blended with petroleum diesel at any level—most commonly 20 percent (B20). Soybean farmers have invested millions of dollars through the soybean checkoff to build the biodiesel industry in the United States.

More than 400 major fleets use biodiesel commercially nationwide. About 300 retail filling stations make biodiesel available to the public, and more than 1000 petroleum distributors carry it nationwide. Biodiesel is nontoxic, biodegradable and essentially free of sulfur and aromatics. Biodiesel offers similar fuel economy, horsepower and torque to petroleum diesel while providing superior lubricity. It significantly reduces emissions of carbon monoxide, particulate matter, unburned hydrocarbons and sulfates. On a lifecycle basis, biodiesel reduces carbon dioxide by 78 percent compared to petroleum diesel.

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