



March 3, 2010

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Chuck Grassley
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Baucus and Ranking Member Grassley,

Writing on behalf of the Biotechnology Industry Organization (BIO) and the Algal Biomass Organization (ABO), representing over 1300 companies across the nation, we urge you to include the important tax legislative modifications of Senator Nelson's Algae-based Renewable Fuel Act (S. 1250) in the next appropriate revenue vehicle that the Senate will consider.

We believe that S. 1250 will create jobs. Algae-based fuel technology is advancing rapidly toward commercial scale viability. Commercial production of algae-based fuels will generate thousands of domestic green jobs in construction, operation, and related activities, and has the potential to greatly enhance our country's energy and environmental security.

Unfortunately, the current tax code serves as a significant barrier to commercialization by providing a production tax credit and favorable depreciation to cellulosic biofuels developers, but not for algae-based fuel facilities. Algae-based fuels possess the same favorable characteristics as cellulosic biofuels in terms of job creation, energy security, and environmental profile. But it is our understanding that they may not have been originally considered in the enactment of the cellulosic biofuel production tax credit due to limited awareness of algae's commercial potential.

Because of this discrepancy, it is extremely challenging for algae-based fuel start-up companies to attract the capital required for commercial scale production. We hope that obtaining tax incentive parity for algae-based and cellulosic fuels will rapidly open the doors to financing of the first commercial scale algae-based fuels production.

S. 1250 will also boost the U.S. economy in the long run. Because the natural resources algae-based fuels require are so easily accessible and abundant in the U.S. we can rapidly begin to replace foreign oil with home-grown fuel, and thereby keep American energy dollars in America.

Finally, it seems clear that enactment of S. 1250 will improve our environment. Algae-based fuels will have among the cleanest life-cycle carbon analyses of any transportation fuel, and the algae can be produced on non-arable land or in efficient industrial processes using a variety of non-food feedstocks.

The tax legislative modifications suggested within S. 1250 have the support of the full BIO and ABO memberships, which includes leading developers of cellulosic biofuels, as well as algae-based fuels. As the Congress moves ahead with tax legislation to modify the Internal Revenue Code section 40 Cellulosic Biofuel Production tax credit, we believe that this is the right time to address this important inconsistency in the tax code and provide potential investors in algal fuel facilities confidence that the industry will be treated fairly when their plants become commercial.

Thank you very much for your consideration. If you, or your staff, have any questions relating to this matter we would be pleased to serve as a resource.

Sincerely,

Biotechnology Industry Organization (BIO)

Algal Biomass Organization (ABO)