

September 20, 2010

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20501

Dear President Obama:

We are writing to ask for your support to provide additional guidance to the Department of Energy's (DOE) Loan Guarantee Program (LGP) to unlock funding for advanced biofuels, biochemicals and bioproducts projects. The LGP is vitally important to the industry to assist in financing diverse, first-of-a-kind biorefinery projects. Unfortunately, no loan guarantees have been issued by DOE to date for this sector and few, if any, will be issued until significant statutory and regulatory changes are made.

Congress wisely created this program in the 2005 Energy Policy Act to assist a broad range of energy and manufacturing technology platforms to march successfully toward early commercialization. The American Recovery and Reinvestment Act (ARRA) provided key additional assistance under the LGP for near-term commercial projects, including up to \$500 million for leading edge biofuel projects. Unfortunately, as currently administered, the program essentially forecloses eligibility of advanced biofuels and other biorefinery projects.

The program is at a critical juncture. If appropriate reforms are imposed, the first pioneer biorefineries will be built, paving the way for a material shift toward sustainable low-carbon transportation fuels, chemicals and products. Without such changes, our global lead in these vital market segments could quickly falter. Moreover, Congressional intent to ensure near-term commercialization – and associated petroleum displacement – of advanced biofuels and other biobased chemicals and products would be thwarted. With this in mind, we propose several necessary steps to help the LGP achieve the goal of near-term commercialization of advanced biofuels, biochemicals, and bioproducts.

1. **Issue formal guidance clarifying the criteria for “reasonable prospect of repayment” for advanced biofuels.** Our understanding is that DOE has interpreted the statutory requirement of “reasonable prospect of repayment” under EPCA Section 1702(d)(1) to mean “*certain* prospect of repayment”, and is demanding long-term, fixed price offtake agreements to satisfy this requirement. Such a requirement may be reasonable for renewable electricity producers, given the structure of electricity markets, but the biofuels market operates differently. The vast majority of transportation fuels, including biofuels, are typically sold in spot markets or under short-term supply agreements. Long-term supply agreements are rare. Instead, DOE should recognize in its risk assessment the long-term market certainty established for advanced biofuels under the Renewable Fuel Standard of the Energy Independence and Security Act of 2007 (EISA). The RFS establishes a continuously expanding, legally mandated market for advanced biofuels, specifically designed to provide confidence to advanced biofuels investors of a reasonable prospect of repayment. We ask that you provide DOE guidance that mandated RFS volumes for advanced biofuels be considered to satisfy the administratively determined requirement for long-term offtake agreements for advanced biofuels projects, and that individual long-term supply agreements are not a prerequisite to issuing loan guarantees to the advanced biofuels industry.
2. **Request Congress extend the Section 1705 program.** Given the rapid development of new technologies and high level of preparedness required by the program, a longer timeline will provide a greater number of promising technologies with the opportunity to participate, and ultimately deliver, commercial quantities of fuels, chemicals and products to market. A program

extension, coupled with explicit White House guidance to DOE on advanced biofuels projects, is likely to result in new loan guarantees being issued to this and other energy and manufacturing sectors.

3. **Request Congress restore funding for the loan guarantee program and provide a dedicated funding pool for biorefineries.** With the diversion of \$3.5 billion from a total program budget of up to \$8.5 billion, the potential impact of the loan guarantee program is now substantially diminished. Full funding should be restored to the LGP program without delay. The program should also be directed to set aside a dedicated funding pool for advanced biofuels and other biorefinery projects. Next generation biorefineries face a particular challenge in securing financing because, unlike in most other renewable energy categories, these are first-of-kind facilities with little commercial precedent. Dedicated funding for biorefinery projects would provide DOE clear direction to move forward on issuing loan guarantees for these critical technologies. Similar consideration should be applied in any future program that may be enacted, such as the proposed Clean Energy Deployment Act. Alternatively, Congress should consider giving USDA a formal role in program implementation for biorefinery project submissions, given the agency's expertise and position leading the Administration's biofuel deployment efforts and existing biorefinery loan guarantee authority under Farm Bill section 9003.

While we recognize the serious fiscal constraints we face as the economy rebounds from recession, these funds are essential to meeting the unwavering goals shared by your Administration, Congress and the public for clean, abundant, renewable energy and manufacturing deployment. This program, if properly executed and funded, will help meet this purpose, create jobs, and improve our environmental, energy and economic security.

Thank you for your kind consideration of this matter. We look forward to working with you in the near future.

Sincerely,

Michael McAdams,



President,
Advanced Biofuels Association



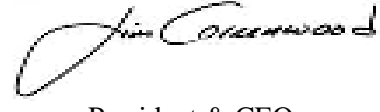
Mary Rosenthal,



Executive Director,
Algal Biomass Organization



Jim Greenwood,



President & CEO,
Biotechnology Industry
Organization



cc:

Hon. Harry Reid
Hon. Mitch McConnell
Hon. Jeff Bingaman
Hon. Lisa Murkowski
Hon. Byron Dorgan
Hon. Robert Bennett

Hon. Nancy Pelosi
Hon. John Boehner
Hon. Henry Waxman
Hon. Joe Barton
Hon. Peter Visclosky
Hon. Rodney Frelinghuysen