

March 5, 2010

James C. Greenwood  
President & CEO

The Honorable Peter Visclosky  
House Appropriations Subcommittee on  
Energy And Water Development  
2362B Rayburn Office Building  
Washington, DC 20515

The Honorable Rodney Frelinghuysen  
House Appropriations Subcommittee on  
Energy And Water Development  
1016 Longworth House Office Building  
Washington, DC 20515

Dear Chairman Visclosky and Ranking Member Frelinghuysen:

On behalf of the Biotechnology Industry Organization (BIO), I am writing to encourage you to support advanced biofuels and biobased products programs and initiatives during consideration of the Fiscal Year (FY) 2011 Energy & Water Appropriations bill. Industrial biotechnology is the key enabling technology that is causing a dramatic paradigm shift in the production of fuels and chemicals. By building modern biorefineries and using industrial biotechnology our nation could significantly reduce its dependence on foreign sources of oil.

BIO represents more than 1,200 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products.

The current economic environment has made commercializing the advanced biofuels and biobased products industries more difficult. Due to the general lack of available private funding, federal investment in the entire value chain of advanced biofuels and biobased products commercialization is needed to move advanced biofuels and emerging biobased materials to market, including research, development, demonstration and deployment. Areas requiring major investment include, but are not limited to: enzymes and fermentation organisms; feedstock development; collection, delivery and transportation of feedstocks and products; pre-processing technologies; alternative fuel distribution networks and vehicles; and biorefinery construction. A broad set of policies, including grants, loans, loan guarantees and tax incentives should be made available to assist a broad range of technology developers and business models.

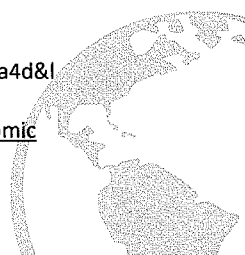
While we recognize the current constraints on government spending, the United States' economic future as well as our energy and national security rely upon commercializing domestic industries that cannot be moved overseas. Advanced biofuels, biobased products and renewable specialty chemicals contribute significantly to the national objectives. There are currently over 25 commercial or demonstration scale biorefineries planned in 17 states.<sup>1</sup> The projected total job creation anticipated from optimization of our potential capacity to construct and operate biorefineries, based on Renewable Fuel Standard (RFS) volumes, is 123,000 jobs by 2012 and 807,000 by 2022<sup>2</sup>.

Please consider and support the following requests as you move forward on the FY 2011 Energy and Water Development Appropriations Act:

<sup>1</sup> Existing and Planned U.S. Cellulosic Biofuel Biorefineries

[http://maps.google.com/maps/ms?hl=en&ie=UTF8&msa=0&msid=114833920384672107621.0004573f4767c96126a4d&l=37.020098,-95.712891&spn=19.944227,53.938504&source=embed&s=AARTsJpaiv9C0v8IRN\\_b6Rxbt8tzDxGzw](http://maps.google.com/maps/ms?hl=en&ie=UTF8&msa=0&msid=114833920384672107621.0004573f4767c96126a4d&l=37.020098,-95.712891&spn=19.944227,53.938504&source=embed&s=AARTsJpaiv9C0v8IRN_b6Rxbt8tzDxGzw)

<sup>2</sup> James Newcomb, U.S. Economic Impact of Advanced Biofuels Production: Perspectives to 2030; bio-era, BIO Economic Research Associates (2009) pg 11 <http://bio.org/ind/EconomicImpactAdvancedBiofuels.pdf>



## DEPARTMENT OF ENERGY

*Loan Guarantee Program for Advanced Biofuels:* The Innovative Technology Loan Guarantee Program (Title XVII of EAct) authorized DOE to issue loan guarantees for projects that employ new or significantly improved energy technologies such as advanced biofuels. These loan guarantees would help facilitate the construction of facilities to produce biofuels from cellulosic biomass. We respectfully request that you propose changes to the program to ensure support of advanced biofuels projects with revised of risk assessment. Currently advanced biofuels are encountering difficult application requirements for the Title XVII LG program at DOE despite clear Congressional intent via specific language in the American Recovery and Reinvestment Act of 2009 that dedicates \$500M for “leading edge biofuel projects”. We respectfully request that this section be made permanent.

Because the advanced biofuels industry is still in the pilot scale phase of deployment, we believe that the risk profile of these projects should not be evaluated against other renewable industries that are further along in their commercial deployment. Therefore, it is necessary to clarify that equity requirements should not be based on the ability to secure long term off take agreements or other factors that may increase the risk assessment profile of a biofuels project. It should be stipulated that equity requirements for biorefinery loan guarantees should not exceed 20% since these technologies are less mature and need more assistance.

Because of this, we request the inclusion of the following language:

*“Loan guarantee applications for emerging technologies, such as advanced biofuels, should not be evaluated against more mature technologies, such as wind or solar. The liquid fuels marketplace does not operate within a framework that lends itself to long-term, fixed-price forward contracting mechanisms therefore, DOE should not require these contracts as evidence of “reasonable prospect of repayment” for biofuels projects. The Committee recommends that this program also be expanded to include eligibility for renewable chemicals and biobased products in addition to biofuels.”*

BIO support’s the President’s FY 2011 request for a \$500 million loan subsidy to DOE to fund biorefinery projects as part of the innovative energy efficiency and renewable energy projects covered by the Loan Guarantee Program. In addition, we respectfully request the Committee include the “Rapid Deployment” language from the American Recovery and Reinvestment Act of 2009 to insure that the DOE maintains an appropriate level of investment in biofuels projects. By doing so, we estimate that this will stimulate job creation by encouraging investment in the over 25 commercial or demonstration scale biorefineries currently planned.<sup>3</sup>

*Production Incentives for Cellulosic Biofuels:* Section 942 of the Energy Policy Act of 2005 established Production Incentives for Cellulosic Biofuels to accelerate the deployment and commercialization of cellulosic biofuels production with a target of 1 billion gallons annual production by 2015. In order to meet this goal, Section 942 provides for a reverse auction to establish a per gallon payment for cellulosic biofuels production until 1 billion gallons of domestic cellulosic biofuels annual production is reached to provide an adequate financial basis for developers to invest in these first production facilities. This program is particularly important for those producers which

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<sup>3</sup> Projected total job creation estimates based on Renewable Fuel Standard (RFS) volumes2:

- Direct job creation – 29,000 by 2012, 190,000 by 2022
- Indirect job creation – additional 123,000 by 2012, 807,000 by 2022

may not have tax liability in the first years of production and therefore cannot take advantage of many of the advanced biofuels tax incentives.

EPA Act 2005 authorized \$250 million for this program. While the final rule has been published for this program, an auction has not yet been administered. In order to ensure a market for producers and encourage participation in this new industry, particularly for those producers which many not have tax liability in the FY2011, we respectfully request the Committee provide \$25 million in FY 2011 to establish a reverse auction for biofuels as well as to direct DOE to conduct the first reverse auction with the funding they have in the near term.

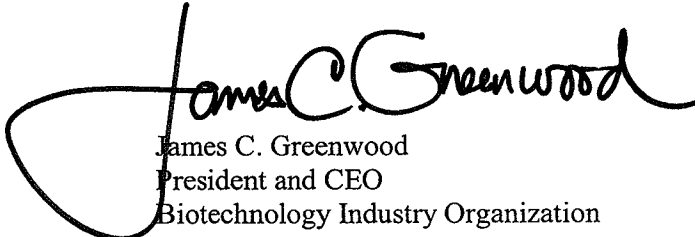
*Biomass and Biorefinery Systems R&D Program*: The Biomass and Biorefinery Systems Research and Development Program is the core program at the DOE to convert our nation's biomass resources into clean, renewable fuels, chemicals and industrial products. Competitively awarded grants under this program have been critical in drastically reducing the cost of advanced biofuels production over the past five years. Full, dedicated funding of this program is essential to achieving the Department's objectives of cost-competitive advanced biofuels production by 2012, and to reducing our gasoline usage 20% by 2017. Therefore, we request the Committee fund this program at the authorized amount of \$419 million in FY 2011, including \$150 million for the integration of biorefinery technologies to continue the commercialization phase of the Biofuels Initiative, and \$15.5 million for products development to support public/private partnerships focused on reducing the cost of producing advanced biofuels.

*Grants for Production of Advanced Biofuels*: Section 207 of the Energy Independence and Security Act of 2007 directs the Secretary of Energy to establish a grant program to encourage advanced biofuels production. These grants will focus on biofuels with the greatest reduction in lifecycle greenhouse gas emissions compared to the comparable motor vehicle fuel lifecycle emissions during calendar year 2005; and shall not make an award to a project that does not achieve at least an 80 percent reduction in such lifecycle greenhouse gas emissions. We ask that the Committee provide funding for this program at the authorized level in FY 2011.

*Genomics: GTL Bioenergy Research Centers – Biological and Environmental Research Programs (Office of Science)*: The Bioenergy Research Centers are designed to further the GTL program objectives more rapidly, more effectively, and at a reduced cost by concentrating appropriate technologies and scientific expertise. Research at the Centers will develop the science behind biofuel production that will result in making technology that is deployable in the nation's energy economy. A major emphasis of these Centers will be making the conversion of biomass to biofuels more cost-effective. Therefore, BIO requests that the Centers be funded at their authorized level in FY 2011.

Thank you for your consideration of this request. Should you have any questions or comments, please feel free to contact Patrick Carroll, Director of Federal Government Relations at (202) 962-6696.

Best regards,



James C. Greenwood  
President and CEO  
Biotechnology Industry Organization