

Comments on SB382 from Gus Kellogg, Founder and CEO, Greenleaf Biofuels LLC

March 12, 2010

I would like to speak in favor of SB382, ***AN ACT REQUIRING BIODIESEL BLENDED HEATING OIL AND LOWERING THE SULFUR CONTENT OF HEATING OIL SOLD IN THE STATE.***

My name is Gus Kellogg and I am the Founder and CEO of Greenleaf Biofuels LLC. We are currently based in Guilford as a biodiesel distributor but are in the process of building a 10Mgy biodiesel production plant in New Haven harbor. I am also a founder of the Connecticut Biodiesel/Bioheat Association, which represents the interests of biodiesel producers and marketers in the state, and currently serve as the President of that organization.

The legislature nearly passed a similar bill last year that would have required the use of biodiesel in all heating oil and diesel fuel sold in the state. This year we are working more closely than ever with the state's heating oil dealers, represented by the Independent Connecticut Petroleum Association, and support the bill's requirement for blending biodiesel into heating oil only at this time, not transportation fuels. As many of you are aware, that was the major roadblock to passing a bill last year. We also commend the ICPA for their dedication to improving the combustion properties of the fuel they sell and dramatically reducing emissions, and therefore also support the bill's requirement for the use of Ultra Low Sulfur heating oil. Biodiesel itself is an ultra low sulfur fuel, so lends itself nicely to this new standard.

There have been a few significant developments over the past year that I'd like to highlight. First, biodiesel production capacity in Connecticut has grown 200% with the start-up of BiodieselOne in Southington, joining BioPur as the state's second biodiesel producer. Next, the Federal government has supported biofuels in a big way with the implementation of the second-generation Renewable Fuels Standard, or RFS2. Under the guidance of Gina McCarthy, our former DEP Commissioner, the EPA completed its lifecycle analysis of biofuels used in the U.S. and has determined that soy biodiesel has a net GHG reduction of 57% compared to conventional diesel fuel, thus qualifying as an advanced renewable fuel. Significantly, this lifecycle analysis included carbon figures for indirect land use, a much debated topic over the past two years. Furthermore, biodiesel produced from recycled cooking oils, the raw material most used in Connecticut for the production of biodiesel, was found by the EPA to reduce GHG emissions by 86% compared to conventional diesel.

When our biodiesel plant comes online by the end of this year, we will have 14.5Mgy of production capacity in the state. All of this is planned to be produced from recycled cooking oil. This will result in lifecycle net carbon reductions of 168,000 tons each year. And that's just a start. With the market stability provided by this bill, biodiesel production

in this state could grow to 120Mgy by 2020. This bill will result in the reduction of GHG emissions from our state's heating oil by some 800,000-1M tons per year by 2020.

Finally, the U.S. Senate just this week passed legislation to extend the Federal biodiesel tax credit, thus underscoring the Federal government's support of the domestic production and use of biodiesel fuels. Connecticut needs to leverage the federal policies to create its own policies regarding the production and use of biodiesel so that our state captures all the direct and indirect benefits. These include creating new green collar jobs, displacing petroleum, reducing greenhouse gas emissions and helping secure our energy independence. There will also be measurable property tax income for municipalities and income tax for the state. Therefore, we urge you to support this bill.

We have made a few minor suggestions to clean up some of the language in the fuel quality section, which is included as an addendum to the written testimony I've submitted today.

Thank you for your time.

Raised Bill No. 382 – Proposed Amendments

AN ACT REQUIRING BIODIESEL BLENDED HEATING OIL AND LOWERING THE SULFUR CONTENT OF HEATING OIL SOLD IN THE STATE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Subsection (a) of section 16a-21a of the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2011*):

(a) The amount of sulfur content of the following fuels sold, offered for sale, distributed or used in this state shall not exceed the following percentages by weight: (1) [For number two heating oil, three-tenths of one per cent] For the period beginning July 1, 2011, and ending June 30, 2014, fifty parts per million and, on and after July 1, 2014, fifteen parts per million, and (2) for number two off-road diesel fuel, three-tenths of one per cent.

Sec. 2. (NEW) (*Effective October 1, 2010*) (a) For purposes of this section:

(1) "Heating oil" means heating fuel that meets the American Society of Testing Materials or "ASTM" standard D396 or the "ASTM" standard D6751;

(2) "Biodiesel blend" means a fuel comprised of mono-alkyl esters of long chain fatty acids derived from vegetable oils or animal fats that meets the most recent version of ASTM International designation D6751;

(3) "Sold" means the wholesale sale made to a retailer or the retail sale made to an end-user consumer;

(4) "Commissioner" means the Commissioner of Consumer Protection, or the commissioner's designee; and

(5) "Sufficient in-state production of biodiesel" means fifty per cent of the annual mandated volume of biodiesel, as determined by the most recent data available from the Energy Information Administration of the United States Department of Energy, is available from in-state producers based upon the combined nameplate capacity of such producers.

(b) (1) Subject to the provisions of subdivision (2) of this subsection and subsections (d) and (f) of this section, (A) not later than July 1, 2011, all heating oil sold in this state shall be a biodiesel blend containing not less than two per

cent biodiesel, (B) not later than July 1, 2012, all heating oil sold in this state shall be a biodiesel blend containing not less than five per cent biodiesel, (C) not later than July 1, 2015, all heating oil sold in this state shall be a biodiesel blend containing not less than ten per cent biodiesel, (D) not later than July 1, 2017, all heating oil sold in this state shall be a biodiesel blend containing not less than fifteen per cent biodiesel, (E) not later than July 1, 2020, all heating oil sold in this state shall be a biodiesel blend containing not less than twenty per cent biodiesel.

(2) The provisions of subparagraphs (A) to (E), inclusive, of subdivision (1) of this subsection shall not take effect until the states of New York, Massachusetts and Rhode Island each adopt requirements that are substantially similar to the provisions of subparagraphs (A) to (E), inclusive, of subdivision (1) of this subsection.

(c) Unless the commissioner issued a waiver pursuant to subsection (f) of this section, any biodiesel blended with heating oil shall be produced in accordance with industry-accepted quality control standards[, including, but not limited to, any standard required under the BQ-9000 certifications program of the National Biodiesel Accreditation Programs]. A certificate of analysis that verifies conformity with the critical specifications of designation D6751 of ASTM International, as defined by the National Biodiesel Accreditation Commission, [the] shall be provided by the marketers or producers of any such biodiesel prior to the blending of such biodiesel with heating oil. The Department of Consumer Protection, within available appropriations, shall verify that biodiesel offered for sale in this state conforms [with] to the critical specifications [mandated by] of designation D6751 of ASTM International as defined by the National Biodiesel Accreditation Commission, the biodiesel fuel quality compliance protocol currently accepted by the Department.

(d) On or before April 1, 2011, and on or before April 1, 2012, the Commissioner of Consumer Protection, in consultation with the Distillate Advisory Board established pursuant to subsection (e) of this section, shall, within available appropriations, determine whether there is sufficient in-state production of biodiesel, to comply with the provisions of subparagraphs (A) and (B) of subdivision (1) of subsection (b) of this section, respectively. If the commissioner determines that such production is not sufficient, the commissioner, in consultation with the board, may delay the implementation date contained in said subparagraph until July 1, 2012, or earlier, and July 1, 2013, or earlier, respectively, provided the commissioner: (1) Not later than three business days after such determination, posts a notice specifying the duration of such delay on the department's Internet web site, and (2) not later than thirty days after such posting, reports, in accordance with the provisions of section 11-4a of the general statutes, the reasons for such delay to the joint standing committees of the

General Assembly having cognizance of matters relating to the environment, general law and energy and technology.

(e) (1) There is established a Distillate Advisory Board. Such board shall be located in the Department of Consumer Protection and shall consist of the following members appointed by the Commissioner of Consumer Protection: (A) Two representatives of the producers or suppliers of biodiesel in this state, (B) two representatives of the retail heating oil industry in this state, and (C) two representatives of the wholesale distillate supply industry in this state. Each member of the board shall serve at the pleasure of the commissioner and without compensation. No funds shall be allocated or made available to the board.

(2) The board shall advise the commissioner on industry and market progress in meeting and enabling compliance with the requirements of subsections (b) and (c) of this section.

(f) (1) The Commissioner of Consumer Protection, upon the receipt of a petition submitted by the Distillate Advisory Board in compliance with the provisions of subdivision (2) of this subsection, shall temporarily waive the requirements of subsections (b) and (c) of this section when: (A) The United States Department of Energy authorizes a release from the Northeast Heating Oil Reserve, (B) there is an inadequate supply of low-sulfur distillate products, or (C) there is an inadequate supply of biodiesel blending stocks or an operational problem that affects the supply of biodiesel blending stocks. Any such waiver shall be for a period of not less than thirty days and not more than forty-five days, provided such waiver may be renewed after the expiration of such period of time.

(2) Any petition from the Distillate Advisory Board that requests a waiver of any requirement of subsection (b) or (c) of this section shall include, at a minimum: (A) A statement of the immediate threat to the health and safety of the citizens of this state posed by the inadequate supply of low-sulfur distillate products, biodiesel blending stocks or operational problems that affect the supply of biodiesel blending stocks, as applicable, (B) the cause and nature of such inadequate supply or operational problem, as applicable, (C) the expected duration of such inadequate supply or operational problem, and (D) as applicable, a description of any alternative distillate supply that temporarily is needed to take the place of the applicable distillate supply described in subsection (b) or (c) of this section. Not later than three business days after receipt of any such petition, the commissioner shall issue a waiver of the requirements of subsection (b) or (c) of this section, as applicable.

(g) Not later than February 1, 2012, and each year thereafter, the Commissioner of Consumer Protection, in consultation with the Distillate Advisory Board, shall

submit a report, in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to energy and the environment on the progress in meeting the requirements of this section and on any affect that such requirements may have on the price or supply of heating oil in this state.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2011</i>	16a-21a(a)
Sec. 2	<i>October 1, 2010</i>	New section

Statement of Purpose:

To amend the maximum sulfur content of home heating oil and establish a biodiesel blending requirement for such oil.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]