



## HB 2196A Sequential Waste Grease/Cooking Oil Fuel

Testimony for Joint Tax Credits 5.10.2011 Jody Wiser

The taxpayers of Oregon have provided an exceptional level of support to this particular industry, for good reason. It's one of the best technologies available. Reusing waste grease to create vehicle fuel is wonderful for being carbon neutral, for keeping our money in the local economy and for being independent of foreign oil. It's as good as a hydroelectric dam on a river that never had fish. The amount of grease we can reclaim is of course, limited by the amount of waste grease we generate, so this will never replace petro diesel, but it can and should be part of the blend of our diesel fuel, up to the limits of the available waste grease.

However, the questions before you are, in what forms should the state's subsidy exist and when will it stop? BETC has paid for plants and plant expansions, drop boxes, trucks to collect and transport the food stock and reprocessed oil fueling stations, vehicle retrofits, and RETC has subsidized the fuel purchase.

There may be more, it's not easy to identify specific processes or products in the BETC data base. We've identified one other emerging waste grease recycling to fuel businesses, Beaver Biodiesel which received \$42,000 in subsidy via BETC and SELP in addition to SeSequential the big operation in our state. And BETC has funded infrastructure at fueling stations – both those available to the public and those for fleets. There are now 34 locations around the state providing B-20 or B-99 fuel made from waste grease according to the web.

For Sequential alone we've found benefits totally over \$14.6 million:

- SeSequential has received \$5.8 million since 2003, in a series of BETCs
- Encore, their subsidiary has been precertified for \$100,000 in BETCs.
- SeSequential in named for \$8.8 million in five separate SELP loans.

Unless you amend, if you extend either of the RETC bills before you today, you will continue for another six years subsidies of up to \$200 per year for those who use waste grease fuel for either their vehicles or for home heating. The tax expenditure report estimates a cost of \$1.4 m for the RETC subsidy. Under this bill, HB 2196A we would add roughly an additional \$200 per user, this one at the fuel pump, where no gas tax would be paid.<sup>1</sup>

As federal taxpayers we subsidize this biodiesel at \$1 per gallon. That's why this fuel is usually sold below or at the same price as petro diesel in Oregon and around the country, whether there is state subsidy or not. Few states have any subsidy.

Over the weekend in California where there is no state subsidy or gas tax break waste grease fuel was selling for 6 to 26 cents less than petro diesel.

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<sup>1</sup> Average fuel consumption per year is 700 gallons per car according to Project America Website <http://www.project.org/info.php?recordID=383>. Oregon's gas tax is 30 Cents a gallon, thus the subsidy in this bill would be roughly \$210 per year per vehicle using 20% or more grease/cooking oil, about the same as the current subsidy for all forms of biodiesel, biomass via ORS 315.465.

How long do the proponents believe it will take to inform/transform the market in Oregon? Since the RETC subsidy has been available five years, and both of the RETC extension before you and this bill would not sunset until January 1, 2018, this extends the direct user subsidy for this fuel to 11 years.

The SeQuential website says they are producing 17 million gallons a year. According to their website **“the project has grown exponentially to meet the increasing demand for sustainable fuel.”** Tyson Keever, a Managing Partner at Sequential testified on 3/3/2011, “SeQuential has grown to a staff of 70 since starting.”

You’ve two solutions before you today, and you’ll have BETC before you later. Today you’ve RETC and 2196A. You could fund neither, one, or both. Your question must be: is more subsidy of critical importance given our limited resources, and if so, in which forms?

We recommend HB 2196A as your choice over the RETC subsidy. HB 2196 is more targeting. Waste grease is the excellent biodiesel fuel source. Our recommendation is that you eliminate the RETC subsidy and do this, but not both. You should also consider limiting the BETC subsidies at this time. The business infrastructure is well built, and given the pricing benefits for waste grease/cooking oil bio-fuel, it is time to end the BETC subsidies and let the business begin to build on its own.