



Biofuelsnews

Volume 4, Number 2

Summer 2001



FOCUS ON...

National Energy Policy and Biofuels

"The NEPD Group recommends that the President direct the Secretary of the Treasury to work with Congress to continue the ethanol excise tax exemption."

With energy shortages in California and high gasoline prices nationwide, energy and fuels have been getting a lot of attention recently. What does all this attention mean for biofuels development? In general, biofuels and bioenergy have fared well in proposals for energy funding and energy policy. In a recent statement to the Senate Committee on Energy and Natural Resources, Secretary of Energy Spencer Abraham identified biomass and biofuels as research areas that would be emphasized by the new administration (see box on page 3). The President's energy policy plan also recognized that ethanol is a likely substitute for methyl tertiary butyl ether (MTBE) and recommended continuing the ethanol tax exemption. Added to DOE recommendations for nearly level biofuels funding in 2002, these developments indicate continued support for biofuels research.

On May 17, President Bush released the National Energy Policy Plan, which was prepared by the National Energy Policy Development (NEPD) group (see box for

David Garman, the new Assistant Secretary for Energy Efficiency and Renewable Energy (right), expressed strong support for renewable energy during a June visit to the National Renewable Energy Laboratory (NREL). Garman toured NREL and spoke to staff about the budget and his goals. Below Garman poses with DOE and NREL managers Richard Truly, Bob Dixon, Stan Bull, Frank Stewart, and Bill Becker.



Sarah Barba, NREL/PIX 0065, 10066

members). Titled "Reliable, Affordable, and Environmentally Sound Energy for America's Future," Secretary Abraham called it "a historic first step to addressing long-neglected energy challenges."

The National Energy Policy Plan is a 170-page outline of the Bush Administration's plans for America's energy future. Chapter 6, titled "Nature's Power: Increasing America's Use of Renewable and Alternative Energy," contains 18 pages on renewable and alternative energy sources. Two sections address biofuels: "Biomass" and "Alternative Transportation Fuels." The entire Plan is available on the DOE Web site at www.energy.gov.

The NEPD report contains 105 energy policy recommendations, including five that specifically mention biofuels or bioenergy. These recommendations include continuing

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NEPD GROUP MEMBERS

- VICE PRESIDENT Dick Cheney
- SECRETARY OF THE TREASURY Paul O'Neill
- SECRETARY OF AGRICULTURE Ann M. Veneman
- SECRETARY OF TRANSPORTATION ... Norman Y. Mineta
- DIRECTOR OF THE FEDERAL EMERGENCY MANAGEMENT AGENCY Joe M. Allbaugh
- ADMINISTRATOR OF THE ENVIRONMENTAL PROTECTION AGENCY Christine Todd Whitman
- ASSISTANT TO THE PRESIDENT AND DEPUTY CHIEF OF STAFF FOR POLICY Joshua B. Bolten
- DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET Mitchell E. Daniels
- ASSISTANT TO THE PRESIDENT FOR ECONOMIC POLICY Lawrence B. Lindsey
- DEPUTY ASSIST. TO THE PRESIDENT AND DIRECTOR OF INTERGOVERNMENTAL AFFAIRS Ruben Barrales
- EXECUTIVE DIRECTOR Andrew D. Lundquist
- STAFF DIRECTOR FOR THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE



IN THE SPOTLIGHT

A Look at the Proposed Budget for Bioenergy

DOE has requested an FY 2002 budget of roughly \$82 million for biofuels and biopower. The requested funds would be split between Biopower Energy Systems (\$37.7 million) and Biofuels Energy Systems (\$44.2 million). Under the proposed budget, ethanol production and biopower systems development are scheduled to receive 43% and 32%, respectively, of the total bioenergy budget. Under the proposed budget, overall biopower/biofuels funding would be reduced by 5% from the FY 2001 levels. DOE's FY 2002 budget request is available at www.cfo.doe.gov/budget/02budget/highlite/highlight.pdf.

The budget request includes an amendment that increases the original biomass/biofuels funding request by \$1.4 million. The amendment is intended to provide additional funding to critical research areas including the Advanced Fermentation Organisms Research and Development Project¹. To view an electronic copy of the renewable energy budget amendment, visit www.cfo.doe.gov/budget/02budget/es/Amendmen.pdf.

¹The Advanced Fermentation Organisms Research and Development Project, also known as the Yeast Platform Project, seeks to find or develop by metabolic engineering a yeast capable of converting all of the sugars from lignocellulosic biomass into ethanol and other chemicals that could serve as a basis for a "biorefinery" making a variety of biobased products.

PROPOSED BIOENERGY FUNDING

	FY 2001 FUNDING*	FY 2002 REQUEST*
BIOFUELS ENERGY SYSTEMS		
Ethanol Production	33,614	35,451
Renewable Diesel Alternatives	750	750
BIOPOWER ENERGY SYSTEMS		
Thermochemical Conversion	3,400	4,000
Systems Development	25,707	26,570
INTEGRATED BIOENERGY RESEARCH**		
(from Biofuels Funds)	6,350	2,500
(from Biopower Funds)	6,000	2,500
BIOENERGY FEEDSTOCK PRODUCTION		
(from Biofuels Funds)	3,600	3,500
(from Biopower Funds)	3,300	3,500
REGIONAL BIOMASS ENERGY PROGRAM		
(from Biofuels Funds)	2,212	2,000
(from Biopower Funds)	1,335	1,184
SUBTOTAL, BIOFUELS SYSTEMS	46,526	44,201
House-Passed Energy and Water Appropriations Bill		47,950
SUBTOTAL, BIOMASS POWER SYSTEMS	39,742	37,754
House-Passed Energy and Water Appropriations Bill		41,010
TOTAL, BIOMASS/BIOFUELS ENERGY	86,268	81,955
House-Passed Energy and Water Appropriations Bill		88,960

* In thousands of dollars.

**Note that certain research efforts included under Bioenergy funding in FY 2001 have been returned to the Biofuels and Biopower research programs for FY 2002.

On June 19, the House of Representatives passed a Fiscal Year 2002 energy and water appropriations bill that would increase bioenergy funding from \$82 million to \$89 million and also restore funding for other energy efficiency and renewable energy programs. This bill has now been sent to the Senate for action.

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the ethanol excise tax exemption and working to expand the tax credit for electricity produced from biomass. The policy also contains recommendations to include landfill methane projects in the Section 29 tax credit and to re-evaluate access limitations on federal lands to increase renewable energy production.

Of the 105 recommendations in the National Energy Policy Plan, the one that most directly affects biofuels urges Congress to continue the ethanol excise tax exemption. Although the Plan does not recommend a specific time period for the continuation, a current bill in Congress (S 907) would extend the end of the ethanol tax credit from 2007 to 2015.

In addition, the NEPD report specifically mentions ethanol—particularly ethanol made from corn—as the gasoline oxygenate that will be used to replace MTBE, which is being phased out by California and other states because of environmental concerns.



PUBLIC FORUMS

Strategic Review of Renewable Energy Programs

In response to a National Energy Policy Plan recommendation, DOE held a series of meetings to solicit comments on energy efficiency and renewable energy programs. The comments will be passed on to DOE Headquarters where they will be considered as part of a strategic review to recommend performance-based funding levels. According to Abraham, "the public's input at these meetings will help us identify opportunities for future research and investment while assessing our past effectiveness in these areas."

Supporters of renewable energy and conservation have used this opportunity to urge DOE to continue funding for these programs. "Solar, wind, biomass, and geothermal are the only energy sources that don't consume natural resources, and global warming is making renewable energy far more important," stated Chuck Kutscher of the American Solar Energy Society at the Denver meeting.

The public meetings were held in Atlanta, Chicago, Boston, Seattle, Denver, Philadelphia, and Washington, D.C. For more information visit www.energy.gov/HQPress/releases01/junpr/junpr.htm.



ON THE FEDERAL FRONT

Speaking of Biofuels...

In his May 10 statement before the Senate Committee on Energy and Natural Resources, Secretary Abraham reiterated the Bush Administration's commitment to biofuels. In his statement Abraham outlined the 2002 DOE budget request and explained the principles behind it. Biomass and Biofuels were highlighted in the Renewable Energy Resources section of the statement. To view Abraham's statement visit www.energy.gov/HQDocs/testimony/hgtestimony.html.

"The Biomass Research and Development Act of 2000 established a Biomass R&D Initiative, to be carried out jointly by the Secretaries of Agriculture and Energy. The \$82 million requested in FY 2002 for Biomass/Biofuels, supports collaborative research and development to improve our nation's ability to not only convert biomass into electric power, heat, and clean liquid transportation fuels, but also to extract high-value bio-based industrial materials such as chemicals, plastics, and building materials. DOE's biomass activities within the jurisdiction of the Energy and Water Development Subcommittee focus on two distinct elements: Biopower, which co-fires biomass with coal or gasifies biomass material that is combusted to generate power; and Biofuels, which convert agricultural and other products to ethanol. Combined, these core activities underpin a national effort to more effectively use a vast domestic resource."

*-Spencer Abraham, Secretary of Energy
Testimony before the Senate Committee on Energy and Natural Resources, May 10, 2001.*





ON THE FEDERAL FRONT

New Faces at DOE headquarters

Spencer Abraham – Secretary of Energy



In January 2001, the U.S. Senate confirmed Spencer Abraham as Secretary of Energy. Abraham previously served as a senator from the state of Michigan, as a member of the Budget, Commerce, Science and Transportation, and Judiciary and Small Business committees, and chair of the Manufacturing and

Competitiveness and Immigration Subcommittees. Secretary Abraham received a B.A. from Michigan State University in 1974 and a law degree from Harvard in 1979.

David Garman – Assistant Secretary of Energy for Energy Efficiency and Renewable Energy



Before his appointment as the Assistant Secretary of Energy for Energy Efficiency and Renewable Energy (EERE), David Garman served as chief of staff to Senator Frank Murkowski (R. Alaska) from 1995 to 1998. During his time with Murkowski,

Garman also worked as a professional staff member on the Senate Energy Committee, where he was involved with energy efficiency and renewable energy issues. Garman holds a B.A. in Public Policy Sciences from Duke University and a M.S. in Environmental Sciences from Johns Hopkins University.

Garman will head DOE's Office of Energy Efficiency and Renewable Energy. EERE is the primary federal

New Administration Boosts Ethanol

In a decision that is expected to have a huge impact on the ethanol industry, the U.S. Environmental Protection Agency (EPA) has decided that California must abide by the Clean Air Act requirement for oxygenates in reformulated gasoline. California had petitioned EPA to waive the requirement because widespread water pollution is forcing the state to phase out the use of the oxygenate MTBE. Ethanol is considered the obvious choice for replacing MTBE in California.

Analysts estimate that the California oxygenate market will need about 580 million gallons of ethanol each year to replace MTBE. According to the Renewable Fuels Association, the EPA ruling has already had an impact on ethanol plant construction with new plants being planned to begin construction this year in Iowa, South Dakota, and Minnesota.

For more information visit www.ethanolrfa.org/press.html.

organization dedicated to developing and researching advanced energy technologies and houses the Office of Fuels Development, which manages the Biofuels Program.

Douglas Faulkner - Principal Deputy Assistant Secretary for Energy Efficiency and Renewable Energy

Douglas Faulkner has been appointed as the new Principal Deputy Assistant Secretary for EERE. Faulkner will report directly to Assistant Secretary of Energy Garman and will be working on conservation and alternative energy issues. Faulkner's previous experience as the Office of Industrial Technologies' Agriculture Industry of the Future team leader has given him a strong understanding of bioenergy programs. He has a B.S. from the University of Illinois and a master's degree from Johns Hopkins University.

DOE/GO-102001-1371 Past issues and other related information are available on the Biofuels Program Web site www.oft.doe.gov/biofuels/ Register your e-mail address to receive electronic notification of future issues at: www.oft.doe.gov/biofuels/subscribe.html. Produced for the National Biofuels Program, Office of Fuels Development, U.S. Department of Energy, 1000 Independence Ave., S.W., Washington, D.C. 20585-1121.



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