

# Advanced Biofuels USA

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## Advanced Biofuels USA Disappointed in White House Plan for National Security Drop-In Biofuels Investment

**FOR IMMEDIATE RELEASE (August 16, 2011)** Frederick, MD – As a tie-in to President Obama’s current bus tour promoting his job creation plans, the White House has issued a press release promoting a three-year \$510 million dollar plan to fund “drop-in” biofuel production. According to the release, this project would be jointly administered by the Departments of Defense (Navy), Energy, and Agriculture, with additional roles for two White House offices; the Biofuels Interagency Work Group, and the White House Rural Council.

The salient feature of this plan is the requirement for a 1:1 matching fund ratio. That is, if a company applies for \$100 million, they have to come up with \$100 million from the private capital market. This is the same private capital market that is reeling from the downgrade of the US Federal debt and turmoil in the European government debt market.

This leads to the primary question about this White House initiative. Are they serious?

Do the people who approved this proposal really think that \$510 million over three years is really enough money to build the infrastructure needed to meet a significant portion of the Navy’s demand for drop-in jet and diesel biofuels? For instance, Navy Secretary Ray Mabus is calling for 336 million gallons annually beginning in 2020. The Navy’s fuel useage is much less than the Air Force’s. I think any refiner or investor will tell you that capital and final stage R&D costs exceed the \$2/gallon (Federal and private share) this plan assumes.

Do the people who approved this proposal really think the biofuel industry can get \$510 million in credit? Look at the abysmal results of the DOE biofuel refinery loan guarantee program. By using commercial grade investment requirements, DOE was not able to issue one loan guarantee that a biofuel company could afford. Does the White House think there would different results with this program? Didn’t Einstein say something about doing the same thing over and over and expecting different results?

So, if we take the White House’s word that they are serious about quickly producing large quantities of drop-in biofuels for the US military and commercial markets, then we would recommend that they implement a serious program. Here are some suggestions for that program.

- 1. If the production of drop-in biofuels is an important National Security need, than treat it as one.**FDR treated the building of oil pipelines to east coast cities to avoid oil tanker sinkings by German U-boats and the production of nuclear bombs as national security needs. He didn’t require a 1:1 match for the construction of the oil pipelines or the Oak Ridge National Lab.
- 2. Increase the available funding to a level that realistically matches the quantities of biofuels that are needed.** If that number is 200 million barrels/year (about 2/3 of estimated Navy demand), work with biofuel companies to determine what the final stage R&D and infrastructure costs will be. If the US government can’t afford that much, set up a realistic production goal and budget.
- 3. Do not require any cash matching funds.** The biofuel companies and coalitions that have submitted preliminary information for these biorefinery projects have already invested their

money, their time, their brains, and their blood. That should be enough of a match. Select the ones with the technologies and feedstocks that meet the project goals and fund them directly and quickly.

**4. Streamline the management of these projects.** If these are to supply DoD users, let the Navy end-users run the projects. And find some project directors in the mold of Leslie Groves who ran the Manhattan Project in WWII (and built the Pentagon in 18 months) or Montgomery Meigs who built the Washington Aqueduct and kept the US Army supplied during the Civil War to keep them early on the schedule and on budget.

We are with the White House on any program that will quickly commercialize the production of any advanced biofuels, drop-in or alcohols. We just want programs that are serious and will produce results.

*Advanced Biofuels USA, a nonprofit educational organization advocates for the adoption of advanced biofuels as an energy security, military flexibility, economic development and climate change mitigation/pollution control solution. Our key tool for accomplishing this is our web site, [www.AdvancedBiofuelsUSA.org](http://www.AdvancedBiofuelsUSA.org), a one-stop-shop library for everyone from opinion-leaders, decision-makers and legislators to industry professionals, investors, feedstock growers and researchers; as well as teachers and students.*

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