



Legislative Update

Flip this Fleet: Advancing the Choice

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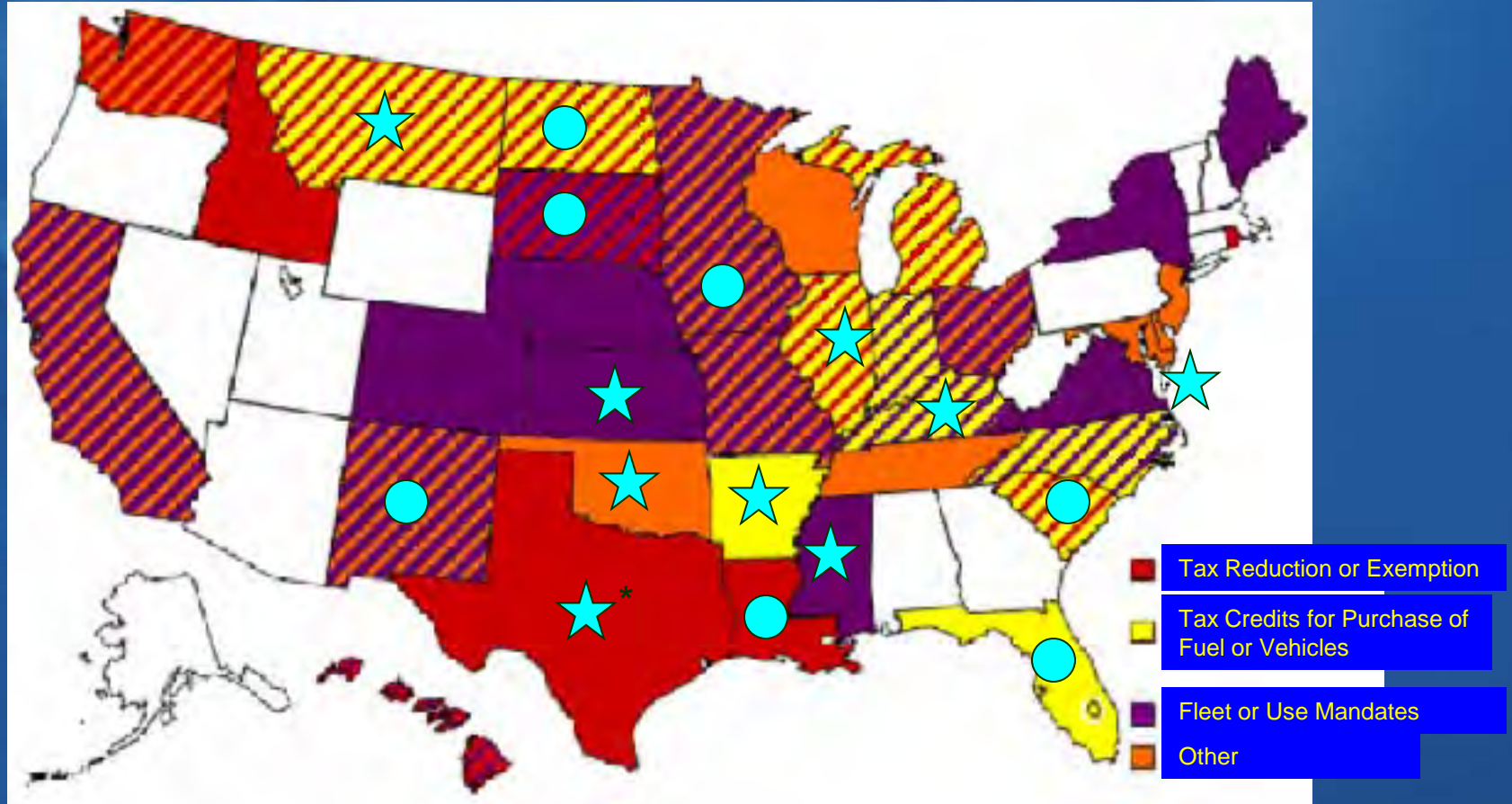
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Biofuel Production, Construction & Use Incentives



★ Production Incentive
● Construction Incentive

Texas Biofuel Producer Incentive

- 16.8 cents per gallon net gain per producer
- 18 million gallons per plant per year limit
- Incentive good for 10 years per plant
- Debate in Texas Legislature about funding
 - TDA Budget estimated need for \$82MM (\$41MM/year)
 - House Appropriations Committee included \$50MM in HB 1
 - Conference Committee Article VI Workgroup Hearing Adopted Rider including \$12MM that covered only biodiesel
 - Final Conference Committee Report on HB 1 contains \$0
 - Uncertainty regarding reasons and remaining options





Legislative Update - Relevant Bills That Passed

- HB 2417 (Swinford) – vests Production Incentive Program entirely with TDA (Comptroller fund direction remains unchanged)
- SB 12 (Averitt) – TERP/LIRAP/Energy Efficiency
- HB3732 (Hardcastle/Averitt) – creates incentives for biomass and waste-to-energy power projects
- HB 1090 (Swinford/Jackson) – creates program to encourage certain biomass power projects and strengthens renewable energy requirements in PURA
- HB 3319 (Keffer/Duncan) - exempts from motor vehicle sales and use tax hydrogen vehicles with a fuel economy rating of at least 45 miles per gallon, or a fully hydrogen-powered vehicle (+ CA stds).



Legislative Update - Key Bills that Did Not Pass

HB 375 (Anchia) – Empowered SECO to prepare a strategy for increasing low-emission auto fuels (*died in House Calendars Committee*)

HB 1088 (Swinford) - ASTM-based definition of biodiesel (*died on House Floor*)

HB 1673 (Swinford) renewable methane production incentive (*died on House Floor & again on Senate floor as part of 3168*)

HB 3168(Swinford/Estes) – Proposed to refine production incentive and fix TxLED issue (provisions of SB 663, HB 1088, & HB 1673 also included) (*18-10 vote did not pass 4/5ths on Rule on Senate Floor*)

SB 663 (Hegar)/HB 1931(Swinford) “renewable diesel” production incentive (amended in Senate to clarify definitions of renewable diesel and biodiesel) (*died on House Floor and again on Senate floor as part of 3168*)



Legislative Update - Senate Bills that Did Not Pass

SB 124 (Ellis) – Low-emission vehicle program (*died in Senate Natural Resources Committee*)

SB 165(Carona) / HB 962(Krusee) – Consumer Price Index (CPI) or “Highway Cost” Index (HCI) adjustment to diesel fuel tax rate (*died in Senate Transportation and Homeland Security Committee*)

SB 326(Carona) / HB 688(Krusee) – Power take-off equipment (*died in Senate Finance Committee*)

SB 436 (Ellis) / HB2836 (Strama) – Gas and diesel electric hybrid toll discount program (*died in House Transportation Committee*)



Legislative Update - Senate Bills that Did Not Pass

SB 529 (Watson)/HB 1291(Hochberg)- Strikes “qualifying fuel” from Clean School Bus Program and needs to include refined biodiesel language (*died on House Floor*)

SB 755 (Ellis)/HB – Transit authority vehicle use (*died in Senate Finance Committee*)

SB 936 (Van de Putte) / HB 1620 (Villarreal) – Transit authorities contracted for school districts and limited use (*died in Senate Finance Committee*)

SB 1057 (Hegar) /H B 985 (Orr) – Volunteer Fire Dept. fuel (*died in Senate Finance Committee*)

SB 1249 (Seliger/Rose) Pump labeling for ethanol blends (*died on the House Floor*)



Legislative Update - House Bills that Did Not Pass:

HB 523 (Woolley) – Kerosene in non-motor vehicle fuel (*died in House Ways and Means Committee*)

HB 1335 (Bohac) – TERP purchase/lease program (*died in Environmental Regulation Committee*)

HB 1927 (Chisum) Liability protection for fuel and additive blends (*died on House Floor*)

HB 1981 (Aycok) – County diesel use (*died in House Ways and Means Committee*)

HB 2147 (Bohac) - Ethanol blends (*died in House Ways and Means Committee*)

HB 2475 (Hochberg/Ellis/Gallegos) – Toxic diesel hot spots (*died in Environmental Regulation [and Senate Nat. Res] Committee*)

HB 3547 (Hochberg) – Diesel school bus idling restrictions
(*Vetoed by Governor*)



Federal Legislative Priorities for Biofuels – Energy Bill

Energy Advancement and Investment Act of 2007

- Senate Finance and House Ways and Means mark-ups complete.
- Biodiesel blender's and small producer's tax credit extended.
- Export & Import restrictions driven by "Splash & Dash" concerns
- Ethanol blender's and small producer's tax credit extended.
- Additional cellulosic ethanol tax credit for up to 60 MM gal/yr.
- Ethanol tariff would be extended but phased out.
- Renewable diesel tax credit limited (no co-processing) and capped.
- Tax credit for publicly traded partnerships for alternative fuels.
- Plug-in hybrid & alternative motor vehicle tax credits.
- Alternative fuel refueling property tax credits.



Other Pending Federal Legislation Key to Biofuels

- HR 2361 (Doggett, D-TX) – would prohibit the renewable diesel tax credit for “co-processing technologies,” including the co-processing of fats and oils with petroleum products.
- HR 2454 (Burgess, R-TX) – Would include B20 as alternative fuel in corporate average fuel economy (CAFE) standard.
- Farm Bill: "Biodiesel Education Program" and a "Biodiesel Energy Program" being proposed in the pending Farm Bill. Both specific to the production and use of "domestic-grown feedstocks."
- Alternative Diesel Fuel Standard (ADS): “Renewable diesel fuel standard," which was introduced by Senator Obama back in 2005.
 - Support from the American Truckers Association (ATA), who would rather have a national mandate than a series of "boutique" fuel requirements implemented on a state-by-state basis.
 - Debate remains whether to set the number at 700MM or 1 billion.
 - ADS would be set for 2012.



Technical Priorities for Biodiesel Industry at Federal and State Level

- EPA: Comprehensive Study of Biodiesel Emissions
 - To update data based on latest technological advancement in engines and fuels
 - Could take until 2009 and will still only include engine dyno testing
- ASTM: Standards for B5 and B20 (add to B100 Standard)
- NREL: Building Acceptance for 2006 Reports
 - Recognizes positive emissions profile for most criteria air pollutants
 - To coordinate with EPA and CARB
- CARB: Broad-based and Robust Study Planned
 - CARB base fuel, 2 biodiesel blend stocks, 3 biodiesel blend levels (B0, B20, B50 B100)
 - Chassis and engine test cycles will be compared (1 tested in vehicle & 1 on test stand)
- TCEQ: TxLED Testing Continues on B5-B20 Blends
 - Feedstock neutral test to be completed
 - Modeling to be completed to evaluate impact on SIPs
 - Other Chassis Dyno and PEMS testing continues as well





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Questions?