

Biodiesel Producers Prepared to Meet RFS2 RVOs Despite Industry Challenges

By Gary Haer

The biodiesel industry is poised for change and prepared to deliver as the nation's first biodiesel requirement ramps up.

July 1, 2010 was the implementation date for RFS2 volume requirements and under the program, obligated parties—including refiners and fuel importers—must show compliance for blending biodiesel. Those who are not obligated parties, may purchase biodiesel gallons, blend, detach, and sell Renewable Identification Numbers (or RINs) to obligated parties in order to achieve compliance.

The combined 2009/2010 biodiesel volume required to meet RFS2 obligations equals 1.15 billion gallons by December 31, 2010. According to U.S. Census data, total 2009 biodiesel production was 530 million gallons and January through April 2010 shows only 131 million gallons of biodiesel production. Meaning, obligated parties have some serious ground to make up during the second half of 2010 in order to achieve RFS2 compliance.

Current U.S. biodiesel production capacity is listed at more than 2 billion gallons per year by the National Biodiesel Board. With the lapse of the Federal Blenders Tax Credit since the first of the year, some obligated parties have been hesitant to move forward with RFS2 compliance plans.

The delay in volume purchasing can be partially attributed to six-months of uncertainty surrounding reinstatement of the tax credit. (As of this publication's print date, the biodiesel tax credit is to be retroactive to January 1, 2010.) Consequently, this summer's RINs values have offered some of the best blending economics in recent memory. In addition, in states like Illinois, Iowa, South Carolina and Texas — where valuable tax incentives and exemptions are available

— biodiesel blenders can pay a premium of as much as \$1.75 per gallon for B100 over No. 2 diesel fuel and still achieve breakeven economics.

It is important to recognize that the lapse of the tax credit has idled or shut-down some biodiesel plants, but REG and other biodiesel producers have sufficient production capacity to meet the demands of RFS2 today.

Renewable Energy Group has re-registered our production facilities with the Environmental Protection Agency (EPA) and are in compliance to meet both Biomass-Based Diesel and Advanced Biofuels volume requirements. Our plants are utilizing feedstocks which exceed the minimum greenhouse gas emission reduction requirements required by RFS2 and are producing valid RINs.

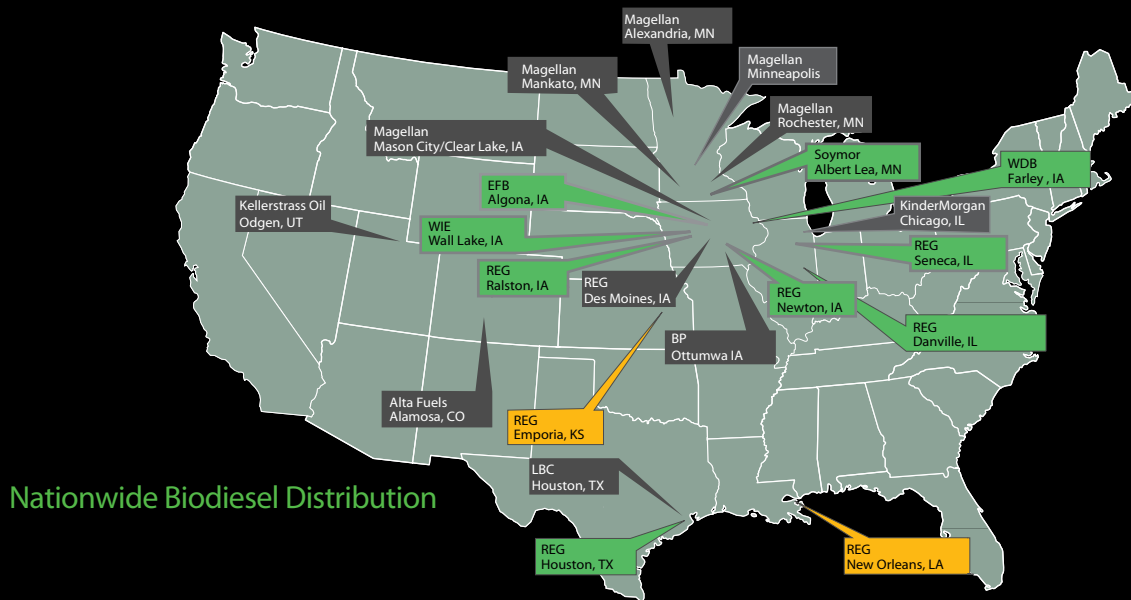
Late 2009 and early 2010 have brought about significant change in the industry; companies have consolidated, the industry leveraged its strengths to persevere market disruption, and pricing and contract options advanced with RINs valuation programs. The bottom line: the biodiesel industry is here to stay and ready to provide the domestically produced, renewable fuel needed to meet the volume demands of the obligated parties and petroleum distributors nationwide.



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For more than 15 years, Gary Haer has been at the forefront of the development of the biodiesel industry. Currently, Haer serves as Vice President of Sales and Marketing for Renewable Energy Group®, Inc. For more than eight years, Mr. Haer has served as a member of the National Biodiesel Board. He currently serves as Vice Chairman of the National Biodiesel Board's Executive Committee.

RFS2 READY.



Don't let the new Renewable Fuel Standard leave you behind. As the nation's leading biodiesel supplier, Renewable Energy Group pairs competitive pricing, great quality product and year-round availability with more than a decade of biodiesel production experience

- Obligated parties must blend more than 1 billion gallons of biodiesel for 2009/2010 compliance
- Significant biodiesel demand opportunities from state tax programs and new market segments
- 1.5 RINs for each gallon of biodiesel purchased; additional RINs available for attachment from REG

Let a biodiesel leader help you make the most of the RFS2.

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