

If Biodiesel is Such a Good Thing, How Come Everyone Wants Out?

Flopperoo on House Floor Shows Biodiesel Bill in Trouble – Would Replace a Toothless Rule With a Gap-Tooth Version Hitting Only Truckers, Motorists



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OLYMPIA, Feb. 23.—Everyone seems to think that biodiesel is the greatest thing to hit the gas business since Ethyl.

So how come nobody wants to be forced to use it?

A bill this year would put some teeth in a stillborn state rule adopted five years ago, but this one seems to have developed some mighty big cavities. It would require that diesel fuel in Washington contain at least two percent “biofuel” – made from crushed oilseed, recycled oil or animal fat. So many big users have won exemptions that really the only ones left are the state’s truckers and the tiny percentage of motorists who use diesel fuel in their cars and trucks.

Railroads, the maritime industry, hospitals and other facilities with backup generators – they’re all left out.

Even agriculture, some of which stands to benefit if canola production takes off, has won an exemption for off-road use.

What’s left amounts to about 55 percent of diesel-fuel usage in the state of Washington, almost all of it by the trucking industry. And when House Bill 1606 finally made it to the House floor Tuesday for a vote, one of the strangest scenes of this year’s legislative session played out. Normally bills don’t make it to the floor unless all the votes have been counted in advance and the majority party is certain of passage.

Minority Republicans proposed an amendment that would have eliminated big rigs – meaning the bill would have applied to a grand total of two percent of the state’s individual motorists.

When that one failed, even Democrats stood and said they’d vote against it. “My log-truck drivers, of which I have many, would have to put this in their trucks,” declared state Rep. Dean Takko, D-Longview. “They’d have to pay the price when the farmers that are producing this don’t even have to use this. It just doesn’t seem right to me.”

When Takko peeled off and a half-dozen other Democrats let party leaders know they would follow him, the leaders decided to halt the debate before a vote could take place. They postponed the matter indefinitely.

No Combustion

Republicans are calling the bill dead. The problem is that the Legislature has struck an intricate series of agreements with industry groups to exempt one usage after another. So many diesel-fuel users have won exceptions to the state standards over the years that it’s easy now for anyone who doesn’t have a stake in the business to see it as a matter of fairness. “If it’s so good, why have we got most of God’s creation exempted already?” said state Rep. Joel Kretz, R-Wauconda. “It’s really hard to say with a straight face that this is great for agriculture, but agriculture is going to be exempt from having to do it.”

It’s not that anyone seems to have an issue with biodiesel per se – technical problems involving the gumming up of engines seem to have largely been worked out. The main remaining problem is that fuel filters have to be changed more often, and it breaks down a little faster if it sits. Meanwhile biofuels are a big favorite for environmental groups, because it is generally thought to burn cleaner. Agricultural interests love the idea of a new crop that might be added to the rotation – a shot in the

arm for Eastern Washington wheat farms. And big money has been poured into the development of a Washington biofuel industry over the last five years, bringing a business element to the argument.

The big problem is that the most commonly used biodiesel blend right now is two to seven cents a gallon more expensive than traditional diesel, according to trucking-industry estimates. And when you consider how much is burned each year, that's big money. "As diesel gets more expensive, biodiesel is going to get more viable," said Senate Minority Leader Mike Hewitt, R-Walla Walla. "And you know – let the market work."

State Disregards Own Goal

The fight started five years ago, when the state Legislature adopted new goals for biofuel use as part of its greenhouse-gas reduction efforts. It set a two percent goal for the use of biofuel in diesel applications statewide. And more than that, it was going to lead the way and build a new industry, by requiring even greater usage in state and local-government applications – 20 percent biofuel by 2009 in state motor fleets and most important of all, the state ferry system.

Turned out there were some technical problems with the 20 percent blend – bacteria, algae and so forth – though advocates in the state Department of Agriculture say that has now been conquered with the use of biocides. The real problem was cost. The ferry system said fuel expenses would skyrocket. And in 2009, when money started getting short and the Legislature started feeling the pinch, lawmakers backed off and adopted a new goal for the ferry system – five percent.

The ferry system hasn't made even that. Right now biofuel usage stands at 1.2 percent. In other state applications, the figure now is 8.7 percent. And at least three bills backed by local governments this session would exempt them from state biofuel mandates.

If the state itself has trouble complying with its own goals, critics wonder what business it has imposing a mandate on the citizens of the state. "If there are so much savings to be had with this program, if biofuels are so good for the environment, then the state ought to be operating 22 vessels with this product in them," said state Rep. Charles Ross, R-Naches. "I mean, if it makes sense for us to operate under this kind of an idea, you can turn around and say to the general public, look, we do it, we save money, we don't experience any problem with our ferries, they are on time every time and they are running smoothly.

"No, the reason we're not doing it is that it doesn't meet the mark."

Creating a Market Through Regulation

This year's bill, filed in the House and in the Senate as SB 5478, would require that all diesel fuel sold in the state for highway usage contain at least 2 percent biofuel or some form of "renewable" diesel fuel. Once production from Washington-grown feedstock grows to 15 million gallons a year, the requirement jumps to 5 percent. It replaces the essentially unenforceable requirement in the 2006 legislation that two percent of the diesel sold in the state be biodiesel.

“What this bill is really about is one Washington,” said House sponsor Jim Jacks, D-Vancouver. “That is the vision we are trying to achieve here. We have products grown in Washington state by Washington farmers, refined by Washington businesses in Washington and used by Washingtonians driving their cars and trucks in this state.”

Representatives of biofuel companies and environmental groups testified this month that the new requirement would kickstart the industry. Millions have been invested, they said, and they have the capacity to pump out millions more gallons if market demand is there. They note that British Columbia and Oregon already have adopted similar biofuel standards, and much of their production is going out of state. Todd Ellis of Imperium Renewables said \$155 million has been invested in his company’s Grays Harbor County plant in the belief that the state was going to stick to its goals. “These policy initiatives are what justify much of the investment in our company,” he said.

They have strong support from the Washington State Farm Bureau, which argues that canola could become one of the state’s most important crops – as long as the state forces stable demand for the product.

Advocates say the cost disadvantage is overblown. Last year they say the price difference for the 2-percent blend at any point in time was no more than two cents a gallon in the state’s biggest markets; at some points it was cheaper, and the average was a greater cost of only seven-tenths of a cent.

Would the fuel would become more expensive if state rules artificially caused usage to explode? Certainly not, they say.

The Lonely Truckers

The Washington Trucking Associations use a different set of numbers, collecting data from trucking companies statewide. It says the range is more like 2 cents to 7 cents higher, with an average greater cost of 4.8 cents. There’s also a power problem – mileage goes down because biodiesel produces about 10 percent less BTUs, though with a 2 percent blend the impact of that may be slight.

It’s just things are bad enough in the trucking industry already, said executive vice president Larry Pursley – business is down 30 to 40 percent in the recession, and some companies have already gone under. Members been working their calculators – one large carrier anticipates additional costs of \$162,000 a year; another, \$120,000.

“Our industry simply is not capable of assuming the additional financial burden contemplated in this legislation, especially since it appears we will be the only users who will be supporting the policy,” Pursley said.

And just wait until the 5 percent requirement kicks in, he said – that’ll be even worse.

Individual users also would bear the same increase, most of them owners of half-ton and three-quarter-ton pickups with diesel motors.

May Happen Anyway

It should be noted that the state’s big refineries aren’t all on the same page. The Western States Petroleum Association is opposing the bill – the big exemptions mean it

would have to manufacture multiple grades of fuel and sellers would have to build multiple pumping facilities. But Chevron favors the bill, because it replaces an unworkable law with one that at least is enforceable.

There's a common argument being sounded, though, by the state's business interests. If biodiesel really is competitive, industry would switch over without pressure from government and everyone would be happy. Trucks, trains, boats, agriculture – everyone would switch. And there wouldn't be the sort of disruption or the potential for price gouging that might occur under artificially imposed state rules.

“If biodiesel is competitively priced, then why have this discussion?” asked Chris McCabe of the Association of Washington Business. “Why have this mandated?”

If oil prices shoot through the roof again, opponents say the whole problem is solved