

Positive Outlook For Biofuels

Federal Fuel Mandates Set

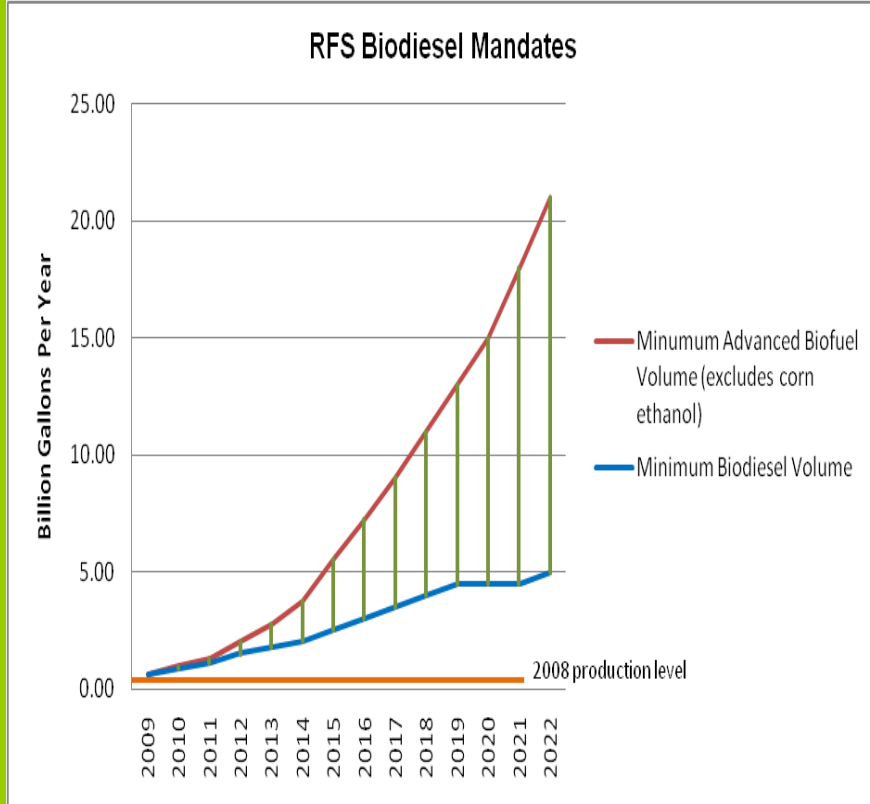
Growing The Use Of Renewable Fuel

The Energy Independence and Security Act of 2007 (EISA) amended the federal Renewable Fuels Standard (RFS) by growing the requirement for the use of renewable fuel to 36 billion gallons per year by 2022. The legislation recognized the potential that renewable fuels have to reduce our dependence on foreign oil, lower green house gas emissions, and provide significant domestic economic opportunity. 2009 will see the RFS increase from the 7.76% level of 2008 to 10.21%, or an estimated 11.1 billion gallons.

2009 will begin the differentiation of biofuels within the context of the RFS. For the first time, biodiesel and other advanced biofuels will have mandates on top of and separate from corn-based ethanol. 600 million gallons of these next generation renewable fuels, classified as Advanced Biofuels, will be required in 2009.

This volume is set to increase every year until 2022 when Advanced Biofuels (like biodiesel) will comprise at least 21 billion gallons of our national fuel supply each year.

The President-Elect Is A Strong Supporter of biodiesel and other next generation biofuels. During his campaign, he repeatedly expressed his support for this exciting new industry. In fact he called for a dramatic increase in the existing RFS so that Advanced Biofuel mandates would rise to 60 billion gallons per year by 2030.



The Election Results Will Have A Winning Impact On The Biofuels Industry



Highlights on possible repercussions from the election results:

1. White House energy initiatives along the lines of the 60 billion gallon advanced biofuels target that Barack Obama advocated during the campaign would very likely meet a receptive audience on Capitol Hill and would receive serious consideration among leading Democrats in Congress.
2. Obama has also indicated that he supports tax incentives and government contracts for developing biodiesel and would mandate all vehicles sold in the U.S. to have flexible fuel capability by the end of his first term in office.
3. The President-Elect believes we must ensure that local investment continues to play a significant role as the biofuels industry expands and evolves.
4. Rep. Henry Waxman has replaced Rep. John Dingell as the new Chairman of the House Energy Committee as of November 21st. Dingell served as Chairman or ranking Democrat of the energy committee since 1981 and has been accused of "burying key pieces of environmental legislation" over the years. Waxman's supporters said his win probably would mean a smoother ride through Congress for Obama's energy agenda, which focuses on spending \$150 billion on research for producing renewable fuels and 1 million new plug-in hybrid cars.

U.S. Federal Government "Blender's Credit"

Under the U.S. Federal Government's biodiesel "blender's credit," each gallon of biodiesel that is blended with petroleum diesel is eligible for \$1 tax credit. Producers selling B99 (a blend of 99% biodiesel and 1% conventional diesel) can claim this credit directly, and producers selling B100 typically receive this credit as a "pass-through" from distributors.

USDA Grants & Loan Guarantees

The USDA has a number of different programs designed to encourage rural development. Two USDA programs are the most compelling—the Renewable Energy for America Program (REAP) and the Business & Industry (B&I) Guaranteed Loans Program.



Renewable Energy for America Program (REAP)

The USDA's REAP program was first funded as part of the 2002 Farm Bill in order to bring renewable energy efficiency technologies to rural America. Under the program in 2008, the USDA made available over \$15 million in grants and over \$200 million in loan guarantees.

- The maximum grant under the REAP is \$500,000, and the maximum loan guarantee is \$10 million.

The Business & Industry (B&I) Loan Guarantee Program

The USDA's B&I program constitutes a much broader attempt to spur rural development in that it is not restricted to a specific type of project, such as renewable energy.

- For loans of \$5 million or less, the maximum guarantee is 80%.
- For loans between \$5 million and \$10 million, the maximum guarantee is 70%.
- For loans over \$10 million, the maximum guarantee is 60%.

With a 70 to 80% USDA loan guarantee, financing can be achieved more quickly and on superior terms for a joint venture. The flexibility and quick turnaround time of the B&I program also makes it appealing.

R3 Biofuels Facilitates the Loan Process

The combination of a loan guarantee and/or grant money plays a pivotal role in the financing package that will be put together for the joint venture bio-refineries.

- R3 Biofuels is the key facilitator in this process to submit the REAP and B&I applications in a timely manner.
- We work with our contacts at state USDA offices to streamline the application process and ensure that we prepare the strongest application possible.

This newsletter is courtesy of R3 Biofuels

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For inquiries contact:

Morghan Laswell

Tel: (206) 248-5000

morghan@r3biofuels.com