

HCS SS#2 SCS SB 204 -- BIODIESEL FUEL

SPONSOR: Stouffer (Hobbs)

COMMITTEE ACTION: Voted "do pass" by the Special Committee on Agri-Business by a vote of 7 to 0.

This substitute changes the laws regarding biodiesel and biodiesel-blended fuel. In its main provisions, the substitute:

(1) Removes the instate origination criteria and allows the Missouri qualified biodiesel producer incentive grants to be calculated based on the amount of biodiesel produced from agricultural products originating in any state provided the qualified biodiesel production facility is at least 51% Missouri producer owned. Currently, the incentive grants are calculated based on the estimated number of gallons of biodiesel produced from agricultural products originating in Missouri;

(2) Requires that all diesel fuel sold at retail in Missouri after April 1, 2010, be a biodiesel-blended fuel. If the acquisition of biodiesel-blended fuel is more expensive than conventional diesel fuel, the distributor is not required to acquire biodiesel-blended fuel; and neither this nor the sale of conventional diesel fuel at retail will be considered a violation of the fuel standard;

(3) Exempts diesel fuel used by railroads and nuclear power generation facilities from the requirements of the fuel standard. The Director of the Department of Agriculture may exempt additional fuel uses from the requirements of the fuel standard; and the Governor may, by executive order, waive any of the fuel-ethanol or biodiesel requirements of the substitute;

(4) Requires fuel terminals in Missouri that sell conventional diesel fuel to sell biodiesel-blended fuel that contains 5% biodiesel by volume, but it will not be considered a violation for a terminal to sell biodiesel-blended fuel that contains more than 5% biodiesel by volume if the sale complies with certain notification requirements;

(5) Requires the department to develop standards for cold temperature operability properties of biodiesel and to enforce the standards beginning January 1, 2010;

(6) Specifies that any producer of biodiesel that does not meet the quality standard as established by the department may be assessed a civil penalty of up to \$10,000 per violation and be issued a cease and desist order; and

(7) Requires 20% biodiesel-blended fuel (B-20) to be used by the Department of Transportation when the cost of acquiring the biodiesel-blended fuel is equal to or less than the cost of acquiring conventional diesel fuel. Currently, B-20 is required to be used by the department when the cost difference between B-20 and conventional diesel fuel is not more than 25 cents.

FISCAL NOTE: No impact on state funds in FY 2008, FY 2009, and FY 2010.

PROPONENTS: Supporters say that the biodiesel fuel standard is good for the environment, consumers, and Missouri's economy. The bill addresses fuel quality, engine warranty specifications, and exempts certain entities from the fuel specification requirement. The bill allows immediate action to be taken by the Governor in the event of unforeseen problems with Missouri ethanol-blended gasoline and biodiesel-blended fuel.

Testifying for the bill were Senator Stouffer; Missouri Soybean Association; Greg Sharp; Department of Agriculture; Missouri Farm Bureau; and Missouri Corn Growers Association.

OPPONENTS: Those who oppose the bill say that they oppose the mandate in general and that the use of biodiesel-blended fuel should be market driven. They were also concerned that fuel quality may be compromised by non-terminal "splash blending" and that terminals will be restricted to selling 5% biodiesel-blended fuel while distributors could sell any percentage biodiesel-blended fuel.

Testifying against the bill were Bruce Hine, Magellan Midstream Partners; and American Petroleum Institute.

OTHERS: Others testifying on the bill say they support a national fuel standard but oppose a fuel mandate. Ford Motor Company will not honor warranties on their diesel motors if the fuel standard exceeds 5% and suggests strict labeling for higher biodiesel blends. The commingling problem (biodiesel-blended fuel followed by non-blended diesel delivered to the retailer) could be fixed if the price triggers were removed.

Testifying on the bill was Missouri Petroleum Marketers and Convenience Store Association.