

Massachusetts Advanced Biofuels Mandate

Program Announcement

**Massachusetts Department of Energy Resources
June 30, 2010**

DOER Suspends Formal Requirements, Establishes Voluntary Program

The Clean Energy Biofuels Act (Chapter 206 of the Acts of 2008) authorizes DOER to delay the implementation of the biofuel content mandate if it determines that meeting the mandate “is not feasible due to lack of supply, lack of blending facilities or unreasonable cost.” It is the finding of DOER that implementing a minimum biofuel content requirement in diesel transportation fuel and heating fuel is not feasible on the basis of unreasonable cost, and will instead move forward with a voluntary program to encourage the use of biofuels that meet the standards of the Clean Energy Biofuels Act.

The MA fuel industry is comprised of a handful of large companies and many hundreds of small businesses that would be subjected to the compliance obligation of the mandate. The cost of compliance with the program would significantly burden all fuel companies and the cost will largely be passed on to consumers.

In addition, the federal biofuels blender credit expired as of January 1, 2010, and the prospect for its reinstatement is uncertain. The \$1.00/gallon blender credit is essential to reducing the cost of the MA mandate to Massachusetts companies and customers. Currently, the incremental cost of biodiesel compared to petroleum is \$1.50/gallon, translating to 3 cents/gallon incremental fuel cost to consumers for the 2% (B2) mandate. Additional costs associated with the mandate (infrastructure upgrades, specialty blending, and administrative costs for compliance) would add substantially to the net increase in costs to the fuel industry and fuel prices to consumers. Due to the practical challenges of achieving industry-wide compliance and the cost implications of doing so, implementation of the Massachusetts mandate is determined to be infeasible at the present time.

Instead of the formal mandated program, as a first step, DOER proposes a voluntary program for the heating oil and diesel fuel sectors. Lessons learned from this voluntary program will provide valuable learning for expanding the program in the future. In this way, DOER will continue to work toward full implementation of the biofuel mandate at an appropriate time in the future.

Without imposing burden on any entity or business, DOER wants to assist those entities that wish to pursue “greener” choices in their fuel use.

The diesel fuel market is regulated and tracked by the Department of Revenue (DOR) for the purpose of collecting the fuel excise tax. DOR maintains a list of 1500 Specialty Fuel Providers of which roughly 750 actively report taxes for volume of diesel sold to retail. These are the entities that would have to use and report on biofuels under the mandate. DOER hopes to continue an open process to learn from these entities how a mandate might be incorporated into their business practices.

The heating oil industry is not similarly tracked by DOR, but DOER hopes to work with members of that industry to develop a reporting protocol to provide accurate information. DOER commends the steps that the industry is currently taking to “green” itself and will continue to work with the members to pursue this goal while developing the protocols to implement the mandate without undue cost burdens on many of the small businesses in the heating oil industry.

Any entity in either the diesel or heating oil sector that wishes to use an advanced biofuel may choose to report its usage to DOER and continue discussions on the availability of eligible biofuels, cost, and reporting and other administrative costs associated with such usage. For the purpose of this voluntary program, DOER will issue a guideline on advanced eligible biofuels, and will continue discussions with oil terminals and independent biofuel suppliers regarding procedures for documenting this eligibility for the mandate.

DOER intends to utilize the information provided on a voluntary basis to assist it in the development of a streamlined process to both qualify fuel and report on its usage in Massachusetts. In so doing, DOER hopes when market conditions permit, it can implement the biofuel mandate with minimal administrative burden to those entities affected. During this timeframe DOER will continue its open dialogue with interested parties in finding workable paths to implement this mandate.