

BIODIESEL MAGAZINE

by Erin Voegele

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Suppliers undeterred by mandate suspension

While many are disappointed with Massachusetts' June 30 [decision to suspend its B2 biodiesel mandate](#), National Oilheat Research Alliance President John Huber said the action will not affect the commitment made by the oilheat industry last year to move towards biodiesel-blended products. At a September 2009 meeting in Baltimore, oilheat leaders and representatives set a goal calling for 2 percent of the nation's heating oil supply to be comprised of biodiesel by July 2010. (See: "Reinventing Oilheat" http://www.biodieselmagazine.com/article.jsp?article_id=3937)

Although the suspension of Massachusetts' B2 mandate is disheartening, Huber said the lapse of the biodiesel tax credit is a far more significant impediment to the increased use of biodiesel-blended heating oil. "As a result, the price differential between heating oil and bio has grown a bit," Huber continued. "The fact that Massachusetts put those fiscal concerns on the table... adds another barrier to other states adopting [similar mandates]. All of the states are having a hard time fiscally, and we've heard in some states where they've talked about [a mandate and noted] that it would raise the price to heat [state] buildings, which has created some issues." Reinstating the \$1 per gallon biodiesel tax credit will go a long way towards alleviating those financial concerns, and allowing more heating oil distributors to offer biodiesel-blended products, he said.

Matt Cota, the Vermont Fuel Dealers Association's executive director, agrees that the extension of the biodiesel tax credit will be an integral part of increasing the supply of biodiesel-blended heating oil, not only because it allows those selling biodiesel-blended products to remain competitive with those offering traditional heating oil, but also because a lower price point helps drive consumer demand. "If the cost differential between the cleaner, greener fuel and standard heating oil is negligible, then customers will go with cleaner, greener fuel—and so with the dealers," he said.

According to Michael Ferrante, president of the Massachusetts Oilheat Council, the decision to suspend Massachusetts' biodiesel mandate for heating oil suppliers came as no surprise. In addition to financial concerns attributed to the expiration of the biodiesel tax credit, Ferrante also noted that the state was facing compliance issues related to the B2 mandate for heating oil. "Those compliance issues are really around how the products flow into our state, and this is not a new problem," he said. "We knew this would be something that we'd have to tackle... That to me is the main reason why our state suspended the mandate. They haven't been able to fully grasp how to regulate the flow of fuel, and truly put the mandate in place for fuel that comes from [out of state]." According to Ferrante, his organization intends to work closely with the state to resolve those compliance issues. "We believe in the product, and this is just another bump in the road," he said.

According to Cota, much of the difficulty in regulating Massachusetts B2 mandate for heating oil stems from the fact that many retailers sell products into their neighboring states. “The difficulty when you have a state by state system is that you might have dealers with a home base in Vermont, that pick up product in New York and sell it into Massachusetts,” he said. “We recognize there are significant challenges [in regulating mandates under those conditions], and perhaps the best way to get it done is a regional mandate so these cross-border issues aren’t a concern.”

While each state in the Northeast is working towards its own mandate, Cota said that they are employing a regional approach. Connecticut has already passed a mandate similar to Massachusetts, and Vermont has proposed one that is nearly identical. These new state mandates contain language that triggers the mandate on a set effective date, or when neighboring states enact their own mandates—whichever is sooner. While this may not seem to be an effective solution at first glance, Cota said it is a process that has been proven to work in the past and offers the establishment of the Regional Greenhouse Gas Initiative as one recent example. “Massachusetts decided to go it alone and really push forward,” Cota said. “We commend Massachusetts for being on the forefront, and Vermont is right behind them...but I think the difficulties that they are having with compliance reflect that.”

Even without a mandate in effect, a significant proportion of Massachusetts-based oilheat suppliers are already offering biodiesel-blended products. The Massachusetts Oilheat Council represents approximately 350 retail heating oil dealers, and Ferrante estimates that about one-third of them currently offer various blends of biodiesel ranging from B2 to B20. While he noted the suspension of the B2 mandate is disappointing, Ferrante said that he doubts it will impact the commitment of those already offering biodiesel-blended products. “They are going to continue to do so because they believe in the fuel quality...and the evaluation of our fuel to a bio-blended product,” he said. “I don’t think they will be deterred by the delay, and I think they see the value in continuing [to offer those products]. They are the kind of pioneering companies that will keep it in place as we work through the hurdles of the state.”