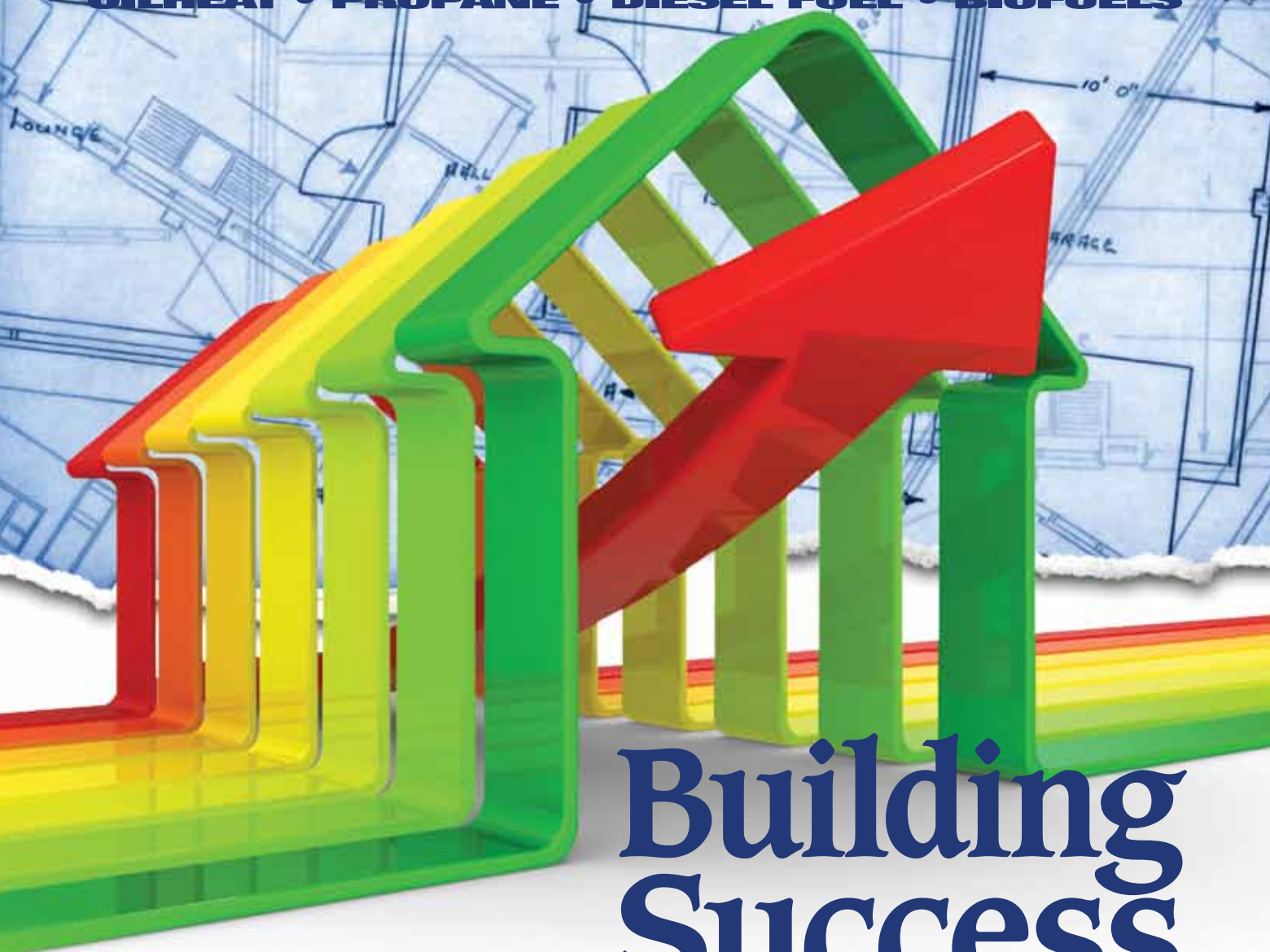


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# OIL & ENERGY

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## Advanced Biofuels

### A New Dawn for Home Heating

By Michael Devine, CEO, Earth Energy Alliance

#### THE OILHEAT INDUSTRY HAS MADE SIGNIFICANT

progress over the past 20 years improving energy efficiency through equipment and design innovations. Radiant heating, hydro air and multi-zoned systems have provided the Oilheat consumer more options, greater total home comfort and financial savings overall.

Fuel additives have also become a low cost, yet high return innovation. Improving fuel quality goes hand in hand with energy efficiency. Fuel quality and efficiency need not only be measured in the combustion chamber—the first opportunity to improve efficiency begins with the fuel itself.

The 8th Annual National Biodiesel Board (NBB) Conference and Expo were just held at the Phoenix Convention Center, from Feb. 6 to 9. I have had the pleasure to attend all but one of these conferences over the past eight years and found this year's conference to be very unique and inspiring.

In 2010, the biodiesel industry was faced with two significant challenges. First was what feedstock sources would be allowed to participate in the new RFS-2 rulemaking process and what impact would this make in the Advanced Biofuels marketplace. The second challenge encompassed whether or not the U.S. Congress would extend the \$1 per gallon biodiesel blender tax credit.

What seemed like storm clouds in 2010 turned out to be a pathway for new economics and business development opportunities for what the EPA now classifies as "Advanced Biofuels."

It became very clear to me after several conversations with key biodiesel and

petroleum leaders at the NBB Conference that the Oilheat industry is about to see changes to the fuel—not simply because of the environmental benefits or national energy security concerns, but because it is becoming a case of simple economics.

The Renewable Fuel Standard (RFS) program regulations were developed in collaboration with refiners, renewable fuel producers and many other stakeholders. The RFS program was created under the Energy Policy Act (EPAAct) of 2005 and established the first renewable fuel volume mandate in the United States. Under the Energy Independence and Security Act (EISA) of 2007, the RFS program was expanded in several key ways:

- EISA expanded the RFS program to include diesel, in addition to gasoline;
- EISA increased the volume of renewable fuel required to be blended into transportation fuel from 9 billion gallons in 2008 to 36 billion gallons by 2022;
- EISA established new categories of renewable fuel, and set separate volume requirements for each one.

EISA required EPA to apply lifecycle greenhouse gas performance threshold standards to ensure that each category of renewable fuel emits fewer greenhouse gases than the petroleum fuel it replaces. RFS-2 lays the foundation for achieving significant reductions of greenhouse gas emissions from the use of renewable fuels, for reducing imported petroleum, and encouraging the development and expansion of our nation's renewable fuels sector.

So why does this impact my current

business as an Oilheat provider? Oilheat is a recognized fuel under the RFS-2 rulings, thus it allows heating oil to be utilized as a defined market under the diesel fuel requirements.

To meet the new RFS-2 rulemaking process, refiners, importers and blenders of distillate fuels are beginning to utilize heating oil as an additional fuel to meet the RFS-2 requirements, with energy traders currently hedging biodiesel against heating oil contracts.

In 2011, the diesel requirements under RFS-2 are no less than 800 million gallons moving to 1 billion gallons in 2012.

The overall success of marketing Bioheat requires a collective distribution effort through coordinating biodiesel producers, petroleum terminal operators and Oilheat dealers.

Through the last five years, biodiesel producers have been up to the challenge of facilitating all of the demand requirements of the distillate markets. The availability of ratable biodiesel distribution and Oilheat demand has seemed to have a chicken and egg dynamic at times through the same period.

I have heard complaints from several Oilheat dealers through the years that they would really like to become a Bioheat marketer, however biodiesel is not available to them from their current suppliers.

With the new RFS-2 rulemaking process, distillate terminal operators face the choice between buying RINs or installing the biodiesel blending capacity to become compliant within the new laws as stated by the EPA.

As we move into the future, my belief is that we will see greater biodiesel availability at the terminal level. The question is what Oilheat marketers will step up and recreate their brand and which will sit it out for now and see what happens.

The federal government has made a firm commitment to improve the nation's carbon footprint and air quality. Biodiesel is now recognized by the EPA as an Advanced Biofuel and the biodiesel industry has grown rapidly over the last decade, even with the hurdles it overcame in 2010.

The Oilheat dealer who may have been a bit apprehensive about the future of biodiesel should now feel confident and assured that Advanced Biofuels are here to stay. As we wind down another heating season, you will likely begin to think about what types of marketing plans to consider to grow your business in 2011.

Is the next heating season going to be the time that your organization moves from a 20th century oil heat dealer to a 21st century Bioheat marketer? It is probably worth noting that your competitors will be asking themselves the same question as well. So do you want to take the lead or follow? ☑