Bank It Here -- Biofuels to Spur Expansion

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As President Obama orders a sweeping increase in the USDA's BioPreferred Program, new research suggests an $80 billion U.S. financial gain that results from domestic fuels and bio-based products over the next 10 years.

In Washington, President Obama recently issued a Presidential Memorandum directing [1] the federal government to take decisive steps to dramatically increase the purchase of bio-based products over the next two years, which will create jobs and drive innovation where bio-based products are grown and manufactured. Bio-based products include items like paints, soaps and detergents, and are developed from farm-grown plants, rather than using chemical or petroleum bases. The bio-based products sector marries the two most important economic engines for rural America: agriculture and manufacturing.

Provisions in the Presidential Memorandum include:

1. Expanding the registered list of bio-based products from 9,000 to 13,500 by 2013.

2. Including web-based registration.

3. Expanded reporting on and promotion of the sale of bio-based products to the government, including the Sustainability Energy scorecard.

4. Training and awareness building for small-business bio-based vendors.

Brent Erickson, executive vice president of BIO's Industrial & Environmental Section, said, "The bio-based product industry already employs more than 50,000 people in the United States and can generate tens of thousands more in the next five years. Policies that provide technology-neutral support to bio-based products and renewable chemicals, such as the BioPreferred program, can help the industry continue its progress."

$42 Billion U.S. Impact of Biofuels Today

Also in Washington, a study commissioned by CARDNO Entrix and the Renewable Fuels Association found the U.S. ethanol industry directly employed 90,200 Americans, and found that 311,400 Americans found work in industries indirectly affiliated with ethanol production.

These 401,600 jobs helped create nearly $30 billion in household income, contributed $42.4 billion to U.S. GDP and displaced a record 485 million barrels of imported oil worth $49.7 billion. (The complete CARDNO Entrix report can be downloaded here. [2])

What's Next for Ethanol

In Washington, Iowa senator Tom Harkin told a recent meeting of the Senate Agriculture Committee [3] that market access rather than more funding is what the biofuels industry needs. He pointed to more flex-fuel vehicles that run on higher blends of ethanol; more blender pumps at gasoline stations to distribute the higher blends; and a dedicated pipeline that will move the fuels from the Midwest, where they are mostly produced, to the East, where there is greater demand, as key factors to increased market access.

Adding $67 Billion in GDP & 600,000 Jobs by 2022

A simple extrapolation of the 13.9 billion gallons of ethanol production in the U.S. to the 36 billion gallons required under the Renewable Fuel Standard (RFS) suggests that at least $67 billion would be added in GDP growth, and 638,515 jobs would be added by simply meeting RFS goals for 2022.

(Note, biodiesel and drop-in biofuels, such as renewable diesel, gasoline and biobutanol, are sold at higher prices than ethanol, and generate more GDP per gallon, but they also count for higher ethanol-equivalent gallons.)

It is a fair question to ask — what is the country prepared to invest to realize a $67 billion gain in GDP — and what other manufacturing industries offer predictable, achievable gains like these over the next 10 years, not to mention a corresponding $79 billion decrease in the trade deficit?

Another fair question — what could the added impact of an increase in bio-based

products add to this total? If 20 percent, and at 50,000 jobs today, of the bio-based industry is adding 12 percent to these figures even in its infancy — the total GDP impact by 2022 could reasonably grow to more than $130 billion. That's around $80 billion in growth.

Biofuels Impact	13.9 billion gallons	36 billion (RFS, 2022)
Direct Jobs	90,200	233,612
Total jobs	401,600	1,040,115
US GDP contribution	42.4	109.8
Oil import reduction	49.7	128.7

The Impact Elsewhere Around the World

Though job creation and GDP impact is different for other regions of the world, Pike Research recently projected a $185 billion global biofuels industry by 2021. Using those figures, it's safe to say that that the global business could add a total of more than 1 million jobs in the next 10 years, simply by meeting its mandated targets.

Don't mess with the RFS? The numbers suggest that there are strong reasons for maintaining a commitment to basic renewable fuel standard frameworks. It's hard to argue with success.

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