

10-Minute Guide to Cost-Competitive Military Biofuels, Part 2

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By JIM LANE, Editor & Publisher, *Biofuels Digest*



This is part two of a two-part piece. [Part one can be](#)

[found here](#) [1]. [1]

Comments & Industry Reaction

Heather Zichal, Deputy Assistant to the President for Energy and Climate Change

“Since the President unveiled the Administration’s ‘all-of-the-above’ energy strategy, we have more oil, gas, biofuels, solar, wind and other sources than at any time in our history, with domestic oil production at its highest point in decades, and more natural gas than any time in our history, while doubling the production of renewable energy. More home-grown biofuels will mean high-paying jobs for thousands of workers, plus cleaner safer, more affordable choices for consumers, while making the U.S. the global leader in new energy.”

Ray Mabus, Navy Secretary

“This is about creating competitively priced, drop-in fuels that reduce dependence on imported oil, enhance national security and foster the creation of a defense-critical industry.

“Since 1950, the DPA has been used to support industrialization of defense-critical industries, including steel, aluminum, titanium and radiation-hardened electronics. Energy is specifically called out in the DPA and, as the U.S. Navy prepares for our maritime-centric strategy in the Pacific and the Gulf, based on innovative, low-cost, light-footprint engagements, energy security has to be at the top of agenda.

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“Every time the price of oil goes up \$1 per barrel, it costs the Navy \$30M per year, and the spikes this year have cost hundreds of millions of dollars; we don’t want to trade readiness for fuel. It’s a vulnerability we have got to address, and diversity of supply is one of the keys to energy security.”

Tom Vilsack, Secretary of Agriculture

“It’s not only a matter of national security, it is good news for rural America. It opens up great promise for new cash crops for farmers based on non-food feedstock, and the refineries are likely to be located in rural areas.

“The USDA will use Commodity Credit Corporation (CCC) resources to make sure the fuels are cost competitive, and we are grateful with the Navy’s decision to move this forward. Today, consumers are spending between 20 cents and \$1.30 less per gallon for fuels because of biofuels, and the industry now has created 400,000 jobs directly or indirectly.

“With the CCC funds, we have authority at any time to use them, and we will use CCC resources to buy down the cost of the feedstock to the producers, which is an appropriate and authorized use of CCC funds.”



Steve Chu, Secretary of Energy

“Advanced biofuels are an important part of President Obama’s all-of-the-above strategy to reduce America’s dependence on foreign oil, and support American industries and American jobs. By pursuing new processes and technologies for producing next-generation biofuels, we are working to accelerate innovation in a critical and growing sector that will help to improve U.S. energy security, and protect our air and water.”

Brent Erickson, Executive Vice President of BIO’s Industrial & Environmental Section

“The domestic advanced biofuel industry can play a huge part in promoting energy security, which is critical for military readiness and national security. Ensuring the reliability and affordability of fuel supplies through diversification to advanced drop-

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in alternative fuels is essential to sustain the U.S. military's readiness, since oil price volatility has already negatively impacted military readiness. This year alone, the \$30 increase in oil prices resulted in more than \$3 billion in additional unplanned costs to the DoD."

The Bottom Line

It has all the hallmarks of what President Obama believes that government-led programs should have:

1. A commitment to building a new industry that creates jobs and exports, through new fuels that are cost competitive with conventional fuels.
2. A focus on bold steps to change the U.S. strategic position, in this case, by addressing its liquid energy dependence.
3. Addressing Valley of Death issues that impede the creation of nationally significant industries.
4. Synchronizing project timelines to delivering on material national goals.
5. A commitment to innovative research, both in style and substance.
6. Using existing authorities where possible, yet in bold ways that change outcomes.
7. Establishing limits on federal exposure through phasing, cost-share and relying on the market to supply affordable project debt.
8. Using the government's role as a customer where possible.
9. Portfolio-style investments by the federal government that reduce risk and thereby leverage private investment.
10. Finally, a coordinated multi-department funding and oversight system that crosses traditional barriers between government units.

Also, it features an exceedingly clever use of CCC funds to assure feedstock costs that lead to a cost-competitive fuel for the military. That's the assurance of an end, we hope, to the specter of \$26-per-gallon fuels. We'll all have to become closer students of CCC market operations, which are managed by a CCC board and through the Farm Service Agency.

Ultimately, it creates what are generally termed smart goals: specific, measurable, attainable, realistic and time sensitive. And it's an elegant instrument that deserves of more bi-partisan support than it is likely to receive in this fractious U.S. political cycle.

Note: Any project developer even *thinking* about proposing a non-cost-competitive advanced military biofuel shall report immediately to *Biofuels Digest* for disciplinary action.

To read part one of this two-part series, [please click here](#). [1] What's your take? Please feel free to comment below! Copyright 2012; [Biofuels Digest](#) [2]

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Links:

[1] <http://chem.info/Community/Blogs/CHEM-Blog/Alternative-Energy-10-Minute-Guide-to-Cost-Competitive-Military-Biofuels-Part-1/>

[2] <http://www.biofuelsdigest.com/>