

7419 Saegersville Road
Germansville, PA 18053
E-mail: hhollow@ptd.net
Phone: 610-767-2409

April 26, 2007

Location: Berks County Agriculture Center

Subject: Senate Agriculture Committee Meeting

Pennsylvania Energy Independence Initiative and the vitality of Pennsylvania agriculture go hand in hand. Renewable liquid fuels whether from starch (corn) or cellulose (trees and grasses), are all agricultural products. The success of alternative liquid fuels is also the success of agricultural production.

The sun provides all of planet Earth's energy. Oil, gas, and coal are merely by-products of the sun's energy. Without the sun, agriculture could not capture the energy in crops to produce food, fiber, or the energy required for Earth's population to sustain on.

Pennsylvania has the largest and the most successful agriculture land preservation program in the country. However, Pennsylvania has been criticized for the lack of farmer preservation.

I feel that an aggressive agricultural renewable fuels program creates a demand for agricultural products which will translate into profits and sustainability for farmers.

Farmers are a proud group. They love to produce and be rewarded for their efforts at the market place. When you put farmers to work, they in turn put the rest of the economy to work to support agricultural production, marketing, and distribution.

Biofuels are not only good for the agricultural community. Biofuels reduce emissions which is good for the environment. They help to reduce our dependence on foreign oil which is good for our national security. Biofuels keep our dollars in this country and put our people to work.

The Energy Resources Group recently drafted 13 policies which are attached. ERG is a coalition of Biofuels interested parties.

David Fink

Policy Positions Established by the PA Ethanol Coalition April 17, 2007

1. The Pennsylvania ethanol industry supports the concept that gasoline sold or offered for sale in this Commonwealth for use in internal combustion engines must contain at least 10% ethanol by volume, provided the following conditions have been met: (1) An in-State production volume of 200 million gallons of ethanol is reached on an annualized basis. This mandate should take effect no later than January 1, 2010. A date certain for such mandates will provide the impetus for developments necessary to ensure a statewide distribution system.
2. The Pennsylvania Ethanol Coalition urges the following amendments to the PennSecurity Fuels Initiative legislation:
 - a. deletion of the term "on-road" on page 4, Section 5, line 5. The coalition supports use of ethanol blends in gasoline sold in the Commonwealth. The coalition would support language which provides exemptions from the 10% ethanol requirement for gasoline offered for sale and use as aviation fuel and in farm equipment per applicable state and federal laws.
 - b. The coalition supports deletion of the term "agriculturally derived," on page 2, Section 3, lines 22-23. Anticipating the development of cellulosic ethanol production in the Commonwealth, the coalition has a concern that this specific definition would unintentionally preclude use of ethanol derived from non-farm products.
3. The Coalition recommends that legislation authorizing expenditures by the Pennsylvania Energy Development Authority clearly spell out the programs and uses of funds to be authorized under any state bond issues for energy development which exceed the current \$300 million aggregate total permitted by law.
4. The Coalition strongly recommends that the 2007-2008 state budget should include funding for public education efforts supporting and promoting the use of biodiesel and ethanol. Public misconceptions about these products, their manufacture, storage and transportation have generated difficulties for companies wishing to locate these facilities in the Commonwealth. The Coalition recommends line item funding of at least \$150,000 for this effort, to be expended by a non-profit organization dedicated to promoting the development of the state's alternative fuels industries.
5. The Coalition strongly recommends that any program designed to promote the production and use of alternative fuels in Pennsylvania include a targeted rail component which would establish a program to provide funding for rail freight improvements (construction, maintenance, repair and rehabilitation of rail lines, rail sidings and grade crossings) necessary for development of biodiesel and ethanol production facilities. This rail component should be organized similar to the existing Rail Freight Assistance Program, with grants provided on a 70%-30% matching funds basis.

6. The Coalition urges the Administration and the General Assembly take action to create a Pennsylvania BioPreferred Program, which would include 1) a mandate to the Pennsylvania Department of Agriculture to develop and implement a comprehensive program for designating biobased fuels, and 2) a directive for all state agencies to increase their procurement, purchase and use of these "preferred" products, as long as the biobased materials are reasonably available, reasonably priced, and comparable in performance.
7. The Coalition recognizes the support and development of Pennsylvania state programs to promote development of the ethanol industry. However, state programs are not currently set up to help companies in this industry which have been hampered by an inability to raise initial capital to cover the costs of early-stage development, preliminary engineering, and sourcing of feedstock/offtake contracts which are requirements for commercial lenders and investment firms. Passage of state use mandates and the existence of federal mandates (Renewable Fuel Standards) have not enticed banks and investment firms to invest in biofuels projects on the East Coast. In order to provide incentives for prospective ethanol producers and to the financial community to invest in these operations, the Coalition recommends consideration of the following incentive programs:
 8. Establishment of a Biofuels Seed Capital Program under the Pennsylvania Energy Development Authority, for qualifying operations to match the first one million dollars raised privately with state funds on a 50-50 basis. The coalition recommends such a fund be limited to \$10 million dollars.
 9. Creation of program to provide guarantees of loans by private businesses for the construction of facilities for the processing of biomass into fuel ethanol and other commercial byproducts. Loan guarantees would be issued for up to 80 percent of the estimated cost of a project, but not to exceed \$80 million for any one project, and would be limited to no more than 20 years. PEDDA would appropriate funds of not less than 5 percent nor more than 10 percent of the amount of the loan to provide assurance of repayment. Recipients of these loan guarantees would deposit an amount determined by the PEDDA Board to be sufficient to cover administrated costs relating to the loan guarantee, but not to include the cost of capital. This program would terminate five years after the date of enactment of the authorizing legislation.
 10. A Pennsylvania Producer Incentive program, under provisions similar to the Alternative Fuels Investment Grant (AFIG) program which would provide reimbursements of \$0.20 per gallon for biofuel production, with total funding for the program capped at 15 million gallons per year, or \$3 million. If ethanol production exceeds 15 million gallons on an annualized basis, the payments to producers would be pro rated to all producers per their share of the total state ethanol production.
 11. The coalition opposes a general gross profits tax on oil companies, which would impose a 6.17% tax on all sales by these nascent biofuels companies. Creation of such a tax on the biofuels industry would have significant impact on net profits and returns on investments, jeopardizing financial participation by investors.

12. The Coalition supports legislation authorizing investment tax credits for qualified alternative energy enterprises.
13. The Coalition supports legislation to eliminate the sales and use tax creating a sales and use tax exemption for biomass products used for home heating purposes and agricultural products sold by the original producer for the production of fuel.

Biography of David Fink

David Fink is a life long farmer who manages Heidel Hollow Farm, Inc., a family farm, along with his wife, Sonia, and sons, Travis and Michael in Lehigh County.

He graduated from Delaware Valley College in 1973 with a Bachelors Degree in Animal Husbandry.

He serves on the board of directors of Green Holding (Green Renewable Energy Ethanol & Nutrition). He serves on Pennsylvania Agricultural Renewable Fuels council and the Pennsylvania Biofuels Stakeholders group.

He has served on the Garden State Ethanol board of directors for three years. He has seven years experience in ethanol project development. He also serves on the board of directors of the National Hay Association.