



Massachusetts Oilheat Council
118 Cedar St., Wellesley Hills, MA 02481
Ph: 781.237.0730 | Fax: 781.237.2442

December 10, 2009

The Honorable Paul G. Kirk
317 Russell S.O.B.
United States Senate
Washington, DC 20510-2102

Dear Senator Kirk:

On behalf of the 747 home heating oil dealers in the state of Massachusetts, and in the interest of the industry's transformation to a cleaner and more efficient bio-blended home heating oil product, **the Massachusetts Oilheat Council urges your support for a one-year renewal of the federal \$1 per-gallon biodiesel blender's tax credit, which is currently set to expire on December 31, 2009.**

On December 9, 2009, the U.S. House of Representatives approved a renewal of the tax credit as part of H.R.4213, the Tax Extenders Act of 2009. Despite its busy schedule this month, the Senate must do the same. Timely renewal of this tax credit is vital in light of the planned transformation of heating oil in the United States to an ultra-low sulfur and bio-blended product, as pledged at an industry summit in Baltimore, Maryland on September 15, 2009:

The heating oil industry recommends and will encourage the Congress and appropriate state bodies to mandate the following changes for heating oil:

- That by July 2010 of next year, all heating oil will be mixed with a bio component that meets the appropriate specifications to ensure that at least 2 percent of the fuel is renewable. Those levels shall increase over time as technical and economic feasibility permit;
- That by July 2011, the petroleum base stock we now call heating oil will be transitioned to ultra low sulfur diesel fuel; and
- That in the interest of lowering the carbon intensity of heating oil applications, training will be provided to heating oil companies on thermal solar applications.

The industry has made this pledge in order to bring to the consumer a new home heating fuel that is in-line with Congressional goals to increase domestic energy and environmental security, including a reduction to imported petroleum and nation-wide greenhouse gas emissions. Equipment manufactures and the American Society for Testing and Materials (ASTM) has approved up to a five-percent blend for use in existing

oil-fired home heating systems and the industry is working to raise that percentage to 20 percent, a blend that has proved itself effective for use in residential heating oil systems. Almost in response to rapid developments within the biofuel sector, several states have begun to consider and adopt biofuel mandates of their own. Massachusetts, specifically, is the first state in the nation to sign into law a mandate that requires blending of home heating oil.

By July 1, 2010 Massachusetts will begin the first year of the heating oil mandate legislatively required by an Act which was signed into law by Governor Patrick last July. While the first year is designated as an "Early Action" year, which allows wholesale suppliers to blend and accrue credits to be used in subsequent years, the following three years will require that all those selling product for use within the Commonwealth offer a blend that averages out to 2 percent in the first year, and which increases incrementally each year thereafter until it reaches 5 percent in 2013. Based on current demand, this would reduce demand for petroleum-based heating oil by 16 million gallons in the first year and 40 million gallons by 2013. Other oilheat states are considering similar measures, and should the whole industry move to at least a 5 percent mandate, it could displace 400 million gallons of petroleum-based heating oil each year.

However, federal policies that support the U.S. biodiesel industry, such as the \$1 per gallon federal biodiesel tax credit, are needed in order to help facilitate this transition. The tax credit is vital to continued viability of the 173 biodiesel plants and the 39 new plans currently underdevelopment, including plants that will serve states with large numbers of heating oil consumers and dealers. Some of the plants in these states will also plan to experiment with converting domestic feedstocks into biofuel, including waste oils and wood.

Again, we urge you and your colleagues to pass into law a 1 year extension to the \$1 per gallon federal Biodiesel Tax Credit, a move that is vital to the heating oil industry and the consumers it serves.

Thank you for your consideration.

Sincerely,

Michael Ferrante
President
mferrante@massoilheat.org