

# Biodiesel: Alternative to Fluctuating Oil Prices? (Maybe)

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**W**ith the price of diesel hovering close to \$4 a gallon, you may have wondered why biodiesel is not always cheaper at the pump. Since biodiesel can be made from used grease to all types of oil seeds, why can't that save us from \$100 barrel oil? Well, you are right; biodiesel can and should compete with diesel prices at the pump. But, it's not as simple as one might think.

In reality, both petroleum diesel and biodiesel have federal and state incentives that keep pump prices down. Without these incentives in place, we could be paying double digits per gallon. When sold at the pump, biodiesel is most often blended with petroleum diesel. With lower blend levels (such as B2 in Minnesota), biodiesel makes little difference in the price compared to diesel. As blends increase to B20 or higher, biodiesel has more of an opportunity to affect the price.

Several factors come into play in the cost of biodiesel including production, distribution, and marketing. One of the major costs in the equation is feedstock, which is the raw material used to produce oil. Biodiesel is a versatile fuel and that be made from many types of as oil seeds as well as animal tallow and used restaurant grease. Since biodiesel

gained commercial acceptance in the late 1990s, soybean oil has been the main feedstock used in the US. But, this is evolving.

Many truckers are also farmers and are aware of the current high demand for soybeans, not only for fuel, but also food for humans and animals. 80% of US biodiesel is made from US soybeans, so soybean prices have a direct effect on the price of biodiesel. But, what you may not know is that the soybean oil used in biodiesel is a byproduct of food production. Soybean farmers pioneered practical production methods for biodiesel and developed a market for this surplus soybean oil. It's true that this market has helped to drive up the price paid to farmers for soybeans, but like everything else in a market driven economy, competition will even this out.

The good news is that many innovators in the U.S. are working on bringing down the price of biodiesel to provide an economical alternative to rising oil prices. Feedstock solutions are being developed using everything from different oil seeds to animal tallow that may otherwise be disposed of. Another alternative feedstock is algae, which not only can provide oil for biodiesel, but can also reduce CO2 output from power plants. These new

feedstocks will provide competition for soybean oil, but soybean farmers are all for diversified feed stock. Considering that the land mass for US farming has not increased in almost 50 years, they know that soybean oil alone cannot meet the growing demand for biodiesel.

The point is biodiesel is here to stay. It has price ups and downs, like petroleum. It needs the support of government to keep the pump price down, like petroleum. But, unlike petroleum, it is sustainable and renewable.

The higher the demand for biodiesel, the more successful the producers will become. More successful producers will ensure more availability, creating more competition. This alone may not drive down prices as the pump, but along with the work being done on less expensive feedstocks and innovative production methods it will contribute to making biodiesel more affordable. Increased competition also keeps the quality high as customers demand BQ-9000 certified fuel. Quality standards create the benchmark that all producers, blenders and retailers must meet to stay competitive.

The cost of any fuel is more than just the price at the pump. It is also the cost to our nation that can be measured in US jobs created or lost and less

quantitative notions like how clean it burns. Biodiesel generates income for US farmers and people in the industry from producers to distributors to equipment manufacturers. Truckers are needed to haul raw materials, oil and biodiesel as well as equipment to build new plants.

While low sulfur diesel is helping to reduce pollution, it also reduces lubricity for your engine. Biodiesel contains no sulfur and actually adds back the lubricity that is lost when blended with low sulfur diesel. In addition, CO2 and particulate matter are reduced when biodiesel is blended with diesel, helping to improve air quality. Truckers benefit from a more healthy work environment.

Biodiesel is not the end-all-be-all for remedying escalating fuel prices, but it can be part of the solution. It takes a partnership to make sure that biodiesel has a chance to help America meet the demand for affordable fuel. The National Biodiesel Board and its members along with the United Soybean Board, state soybean associations, the US government, biofuels entrepreneurs, farmers across America, and of course the many truckers who support biodiesel, are helping to ensure a future where truckers have a choice at the pump - that won't break the bank. •