

Erie-based biodiesel company presses for return of tax credit

Hero BX suffers without biodiesel incentive

By JIM MARTIN

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A major financial incentive to purchase biodiesel fuel disappeared Jan. 1, and companies such as Erie-based Hero BX are feeling the pain.

Hero, which can make up to 45 million gallons a year and ranks as Pennsylvania's largest biodiesel company, ran full steam for most of 2009.

But now, the loss of a \$1-a-gallon tax credit for buyers who blend biodiesel with petroleum-based fuels has softened demand dramatically, said Mike Noble, Hero BX president.

The plant has operated only about 10 days since that credit expired at the end of 2009, he said.

"We are running today and tomorrow. Then we will be done for a few days," he said Friday. "It comes and goes, but there is not a lot of demand."

He's hoping the problem is temporary. So far this year, however, efforts to reintroduce the tax credit, which makes biodiesel prices more competitive, have fallen flat.

An extension of the credit was included in a draft of an \$85 billion Senate jobs bill.

However, Senate Majority Leader Harry Reid, a Democrat from Nevada, announced he would trim the tax credit, along with other provisions, to a more modest \$15 billion.

Now, Reid and other Democrats in the Senate are under pressure to restore the tax credit, not only from Republican senators, but from Agriculture Secretary Tom Vilsack, who has called the credit, "an important credit and support mechanism" for renewable fuels.

There seems to be general agreement in Washington that the credit will eventually be extended. The question that remains is, "When?"

The timing matters a great deal to Hero BX, where Noble said biofuel production supports 40 jobs directly and another 40 or so office jobs indirectly.

So far, none of those employees have been laid off, despite a dramatically reduced production schedule.

"Once we get them trained, it's a very technical job. I really don't want to lay them off," Noble said, citing the time and expense of training new employees.

Noble said Hero BX has received support from U.S. Sens. Arlen Specter and Bob Casey, both Pennsylvania Democrats.

"Senator Casey thinks we must quickly restore the biodiesel tax credit to preserve jobs in Erie and promote energy independence," Stephanie Zarecky, his press secretary, said in a statement. "Senate leadership has announced their intention to bring an extension to the floor. Senator Casey hopes that it will come to the floor soon and receive bipartisan support."

Kate Kelly, press secretary for Specter, said her boss has been a champion for the industry as a co-sponsor of the Biodiesel Tax Incentive Reform and Extension Act of 2009, which would have extended the tax credit through 2014.

She said in a statement that "Senator Specter's office has been working closely with stakeholders on the matter and is looking for an appropriate legislative vehicle through which to reinstate the tax credit so that companies like Hero BX can get back on their feet."

Both Hero BX and Erie-based American Biodiesel Energy Inc. can look forward to May 1, when a new state mandate takes effect that will require a 2 percent blend of biodiesel in all diesel sold for over-the-road use in Pennsylvania.

Noble said that mandate will be good for business but hopes he doesn't have to wait that long to see some relief.

"The longer it takes, the further we go in debt and the harder it will be to get out of the hole," he said.

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