Testimony of the
Biotechnology Industry Organization (BIO)

Hearing of the House Science, Technology & Energy Committee
January 29, 2013

Regarding New Hampshire House Bill 1214:

"AN ACT BANNING CORN-BASED ETHANOL AS AN ADDITIVE TO GASOLINE SOLD IN NEW HAMPSHIRE"

The Honorable James Michael Garrity, Committee Chair
The Honorable Frank Holden, Committee Vice-Chair
And the Members of the Science, Technology & Energy Committee:

Chair Garrity and Members of the Committee, the Biotechnology Industry Organization ("BIO") appreciates this opportunity to provide comments on HB 362, legislation to ban corn-based ethanol as an additive to gasoline sold in New Hampshire. This proposal is of significant concern to BIO and its members in the State of New Hampshire and throughout the country.

BIO is the world's largest biotechnology organization with more than 1,100 member companies worldwide. BIO represents leading technology companies in the production of conventional and advanced biofuels and other sustainable solutions to energy and climate change challenges. BIO also represents the leaders in developing new crop technologies for food, feed, fiber, and fuel.

BIO opposes HB 362 at its core because of the impact such legislation would have on energy security, on research and development of cellulosic and advanced biofuels underway in New Hampshire, on the commercialization of such technologies throughout the country, and on the price of gasoline for New Hampshire consumers.

The national adoption of ethanol and other conventional biofuels has played an important role in reducing U.S. dependence on foreign sources of petroleum, in reducing transportation fuel costs to the consumer, and in beginning to reduce the carbon intensity of the nation's transportation fuels. It has also paved the way for promising next generation cellulosic and advanced biofuels being developed in the State of New Hampshire and throughout the country.

Cellulosic and advanced biofuels, which can be produced from forest residues, algae, municipal solid waste, or other renewable sources of biomass, offer some of the most

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promising solutions to high gas prices, U.S. dependence on foreign petroleum, and job losses in resource-dependent regions of the country, such as New Hampshire. Innovative advanced biofuels developers – including Mascoma Corporation, one of the country's leading cellulosic biofuels developers, based right here in New Hampshire – already face a very challenging environment trying to secure private capital to commercialize their technologies. Actions by the State of New Hampshire and other states to ban conventional ethanol as a gasoline additive only exacerbate the financing challenge by destabilizing the policy environment for all biofuels.

Conventional ethanol continues to play an important role in the development of these new technologies by supporting the growth of the infrastructure for commercial levels of advanced and cellulosic biofuels to be developed, produced and distributed. Passing HB 362 would send the industry and its investors negative messages and would chill investment in research and development for advanced and cellulosic biofuels – as well as other promising biobased technologies, such as renewable chemicals and plastics produced from wood – and possibly send the unintended signal to investors that New Hampshire is hostile to all biofuels.

Prohibiting corn ethanol blends in gasoline sold in New Hampshire would also drive up the cost of gasoline for consumers in the State. New Hampshire imports all of its motor gasoline from other states, so refiners would have to supply special fuel to the State at an added cost. Additionally, the presence of an alternative in any market helps drive down price. Economists have estimated that gasoline prices could be $0.20-0.50 per gallon higher if not for the incremental supply provided by ethanol.[i] The RFS opens the market to renewable fuels and, importantly, sets price targets and supports for advanced biofuels through its compliance mechanisms. These price targets and supports will ensure that new fuels will also present significant value to consumers.

By comparison, current studies show that production of biofuel has a relatively small affect on corn and food prices – "the contribution of ethanol subsidies to food inflation is largely imperceptible in the United States"[ii] – while it saved approximately $34 billion in oil import in 2010 alone.[iii] Indeed, the U.S. Environmental Protection Agency (EPA) issued the decision recently to deny requests to waive the volume requirements for the coming year of the Federal Renewable Fuel Standard, correctly concluding that the RFS program itself is not having an impact on grain prices.

Companies like Mascoma and the more than 80 BIO members developing next generation biofuels and biobased products are looking to revitalize communities suffering from loss of jobs in industries like forestry and paper. A recent report, *U.S. Economic Impact of Advanced Biofuels Production: Perspectives to 2030*, the executive summary of which we append to this testimony, indicates that cellulosic and advanced biofuels production under the RFS could create over half a million jobs in the U.S., many of which would be tied to sustainable sources of renewable biomass like wood.[iv]

BIO urges the New Hampshire State House, and its Committee on Science, Technology, and Energy, to oppose HB 362. The proposed ban of corn-based ethanol as a gasoline blend in the State would hurt consumers at the pump and would undermine investment in the continued research, development and production of advanced and cellulosic biofuels.

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[i] P. Barta, "As Biofuels Catch On, Next Task Is to Deal with Environmental, Economic Impact" Wall Street Journal, March 24, 2008, page A2.

[ii] Babcock, B.A. and Fabiosa, J.F. "The Impact of Ethanol and Ethanol Subsidies on Corn Prices: Revisiting History." CARD Policy Briefs, Center for Agricultural and Rural Development, Iowa State University, April 2011.

[iii] See Urbanchuk, J.M. :Contribution of the Ethanol Industry to the Economy of the United States," Renewable Fuels Association, February 2011.

[iv] http://bio.org/ind/advbio/EconomicImpactAdvancedBiofuels.pdf