

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

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2001 HOUSE FINANCE AND TAXATION

HB 1390

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1390

House Finance and Taxation Committee

Conference Committee

Hearing Date February 6, 2001

Tape Number	Side A	Side B	Meter #
1	X		43
Committee Clerk Signature <i>Jamie Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN**, Opened the hearing.

**REP. PAM GULLESON, DIST. 26, SOUTHEASTERN ND**, Introduced the bill as the prime sponsor. In its original form, this bill would have incorporated two percent biodiesel into the state fuel supply. In its original form, this bill is visionary and bold, allowing North Dakota to take the lead in the use of renewable fuel. It would be O.K for North Dakota to take the lead on this. I realize these types of bold moves do not come easy. I ask at the outset, that we change the scope of this bill to an interim study. The supporters of this bill and I recognize, that it is necessary to fully educate the public and legislators, and to answer concerns surrounding this issue. An interim study would provide us an opportunity to do that. She stated she would submit amendments to the committee to do that. She stated biodiesel is the name for a variety of fuels made from vegetable oil, soybean or sunflower, or animal fat. The concept of using vegetable oil as a fuel dates back to 1895, when Dr. Rudolph Diesel developed the first diesel engine to run on

vegetable oil. Diesel demonstrated his engine at the world exhibition in Paris in 1900, using peanut oil as a fuel. The advantages for introducing biodiesel in this state are tremendous.

Producing biodiesel from soybeans and other domestic crops, provides an additional use for our oil seed crops, increasing revenue to our farmers. It can create jobs to our communities.

Biodiesel is the only alternative fuel that can be used directly in any existing unmodified diesel engine. Because it has similar properties of petroleum diesel fuel, biodiesel can be blended at any ratio of petroleum diesel fuel. State fleet vehicles in Dickinson and Grand Forks have been using biodiesel on a trial basis for the last two years, with very satisfactory results. They have implemented this because of the price difference between number one and number two fuels.

They wanted to be able to use number two fuel throughout the winter. This study is about investing in this state by using our own renewable resources and supporting our farmers and the communities they live in.

**REP. DAVE MONSON, DIST 10,** Testified in support of the bill as a co-sponsor. He stated he is a farmer and does raise oilseed crops, such as canola. Biofuels will be a major player in the future of farming.

**BILL DELMORE, KELSCH LAW FIRM, REPRESENTING THE NORTH DAKOTA SOYBEAN COUNCIL** Testified in support of the bill. Are supportive of a study. Gave concerns in marketing the product. A study is the best way to move.

**REP. WINRICH** Could you briefly, give us information as to what is happening in other states?

**BILL DELMORE** There are bills being looked at in other states. There are some in South Dakota and Minnesota. Some of the very concerns people here have raised, have been raised there. We need solid, technical, information, before we take something into this industry. It is

best to have the information to where you are going. In a study you can answer these questions before we look at something.

**TERRY GOERGER, FARMER, CHAIRMAN OF THE NORTH DAKOTA SOYBEAN**

**COUNCIL**, Testified in support of a study. See attached written testimony.

**REP. CARLSON** Is there any place that is producing it presently, in this state?

**TERRY GOERGER** Not at this time.

**REP. CARLSON** Where is this being produced?

**TERRY GOERGER** Iowa, more in the southern areas, across the central belt. I believe there are, currently, twelve plants in the United States with the potential of two hundred million gallons of production in place at this time.

**REP. CARLSON** What does it do to the price of diesel, if you add a twenty percent level like you recognized.

**TERRY GOERGER** At this time, it would add about fifteen cents. Two cents is what the mandate would be.

**REP. CARLSON** Is it at the pumps today?

**TERRY GOERGER** Last year, my supplier said it was in \_\_\_\_\_? \_\_\_\_\_ pipeline.

Information I have received, said there were thirteen pipelines in Minnesota.

**REP. LLOYD** What about variety selection process with regard to certain varieties performing better

**TERRY GOERGER** I don't know that varieties make a difference, we have some refinery people and they are saying, no, there is no difference in variety.

**REP. BRANDENBERG** Is there a move toward refineries moving into North Dakota?

**TERRY GOERGER** We have had some indication from Agri Oils that they are interested in looking at that. Also, we will have some testimony from the plant at Enderlin.

**REP. CARLSON** To be beneficial, wouldn't we need the producer here to actually produce the bio?

**TERRY GOERGER** That is our hope. It will have to be economically viable. We hope the demand will create that incentive.

**REP. CARLSON** How do we relate this to ethanol.

**TERRY GOERGER** I believe if we don't make a move to use our own products, we are not doing ourselves any good. We are not doing our agricultural industry any good. We are fortunate here in North Dakota, at this time, we have clean air, that doesn't mean we always will. This is one way we can come up with an answer for our ag economy. We can increase our percentages, if we can increase the useage of biodiesel by utilizing our domestic supplies, it seems to me we will increase the producers on the farm. I am a farmer, and when I make money, I pay more income tax, and I also invest in my operation. Not too many farmers leave money burn in their pockets very long.

**REP. LLOYD** Can we combine soybeans, cranby, safflower, canola, and sunflower oil all together?

**TERRY GOERGER** I can't answer that, I don't know what the makeup of all of those other oils are.

**REP. RENNERFELDT** Before this will be successful, you would have to compete. Who will use it, if it costs more than diesel? Your consumption rate is higher, don't you think that will be a deterrent?

**TERRY GOERGER** Yes, that is part of our marketing problem. Our checkout board is set up to do that, to find answers for that.

**ROGER JOHNSON, STATE AGRICULTURAL COMMISSIONER** Testified in support of the bill. See attached written testimony. He related to a meeting he went to twelve years ago in Rapid City, SD. He stated they took a tour in a greyhound bus which ran on one hundred percent soybean oil. It smelled like a big french fry factory, moving down the highway. This technology is there and has been there for some time. The suggested two percent biodiesel requirement would mean the use of more than two million bushels of North Dakota soybeans. According to the USDA estimates, if the country sustained an annual market of one hundred million gallons of biodiesel, it would add about seven cents to the price of soybeans. For North Dakota, alone, that would translate into an economic impact of about five million dollars toward the agricultural sector.

**REP. HERBEL** The two percent, is that some significance instead of five or seven?

**ROGER JOHNSON** Stated he was just speculating.

**REP. RENNERFELDT** Do you think people will be willing to pay an additional price just to support the soybean farmers?

**ROGER JOHNSON** The best way I can answer that is, for years I have voluntarily paid a higher price for ethanol blended fuel in my car. As soon as it was available, my Dad put it in every vehicle and engine possible. There are a number of producers out there who will use this.

**REP. WINRICH** Commented, wondering if this fuel would smell any better than diesel.

What is the relationship to ethanol, and what are we doing in terms of natural fuels?

**ROGER JOHNSON** I have supported the ethanol bill in this session as well. I would respond very much like Terry Goerger did. Anything we can do to increase these kinds of products, we ought to seriously look at. This is a very important part of our economy. This is an opportune time for us to look at some of these renewable sources of energy and try to move them into the main stream.

**EDMUND GOERGER, PRESIDENT OF THE NORTH DAKOTA SOYBEAN**

**GROWERS ASSN., AND A FARMER,** Testified in support of the bill. See attached written testimony.

**REP. CLARK** Was concerned about any corrosion related to the use of biodiesel.

**EDMUND GOERGER** The corrosion thing you are referring to is the same thing ethanol went through when it first came out, especially at the higher level, not so much at two percent. As you use this product, it tends to clean out your system. It will take any impurities which were built up in your tank or in your line. Initial use, may cause a filter plugging because it is cleaning out your system. After that corrosion is not a factor, as I understand it, it is just cleaning out your system.

**DEAN PETERSON, NORTH AMERICAN COAL CORPORATION,** Testified in opposition of the bill. See attached written testimony.

**REP. CARLSON** If this is moved into a study, what type of items would you like to have included in that study from your perspective?

**DEAN PETERSON** We will think about it as soon as we receive the study resolution. I know they are proposing a study, but specifically, we would like to take a look at before we respond.



**PAUL TOKACH, BUTLER MACHINERY COMPANY AND CATERPILLAR, INC.,**

Testified in opposition of the bill. See attached written testimony.

**REP. SCHMIDT** You state that Caterpillar is the largest builder of diesel engines in the world?

Where does Cummins stand compared to you?

**PAUL TOKACH** We bi-passed Cummins within the last five years.

**REP. CARLSON** Do you believe that your company would have trouble warranting a two percent requirement of biodiesel?

**PAUL TOKACH** It isn't so much the warranty concerned with the biodiesel, our warranty statement covers workmanship and materials. We take no responsibility for failures caused by alternate fuels, biodiesel would be one of those.

**REP. CARLSON** Asked for an example besides corrosion.

**PAUL TOKACH** Gumming, if you get a high enough percentage of biofuel, it could form gum. We are currently working on some very high pressure fuel systems, and to keep those fuel systems working, we have to have two micron fuel filters, any debris will plug those.

**REP. BRANDENBURG** Does this apply to all mixtures of diesel fuel?

**PAUL TOKACH** It does apply to all fuels. If the end user decides to formulate his own diesel fuel, if it burns in the engine, that's fine. However, if that fuel causes fuel system problems, they no longer warrant it. One of the problems with biofuel, there really aren't any standards right now.

**RON NESS, EXECUTIVE DIRECTOR OF THE NORTH DAKOTA PETROLEUM**

**COUNCIL,** Testified in opposition of the bill. We believe that all alternative energy should be looked at and considered at every point, however, mandates are troublesome to the industry.

They cause distribution problems, as we saw last summer, where EPA created a new mandate in the Chicago and Milwaukee areas, and what happened to the price of gasoline in those areas as a result of the mandate. Essentially, that is what happens when you mandate fuel extraction in the state. We have no problems with a study resolution.

**TERRY GOERGER** Explained a handout which was submitted to all of the committee members. See attached copy of handout.

**GUY CHRISTIANSON, NORTHERN SUN A DIVISION OF ADM,** Testified in support of the bill. He stated his company has an expanding presence in biodiesel fuel production overseas. They are operating in Germany. The popularity of biodiesel is growing in Europe. In response, we have created a new division within our company. We believe that a U S biodiesel program is a step in the right direction.

**REP. CARLSON** Are you telling me that your company would be interested in looking at the production in this biodiesel fuel here?

**GUY CHRISTIANSON** We would support the state.

**REP. DROVDAL** You stated that they accepted the use of biodiesel fuel in Europe, apparently, much easier than we have in the United States, is it mandated in Europe?

**GUY CHRISTIANSON** Yes, I believe it started with a mandate.

**RUSS HANSON, NORTH DAKOTA PETROLEUM MARKETERS ASSOCIATION,**

Testified in support of the bill. We are all for consumer choice. When the retailers have a directive from their consumers that they want a product, our retailers will get it to them. They do oppose mandates.

LANCE HAGEN, AG COALITION, Testified in support of the bill. It would not scare me one bit to run this through my diesel. Especially support the study resolution.

J.P. WIESZ, WIESZ TRUCK LINE, JAMESTOWN Testified in support of the bill. I have been in business since 1966, and diesel fuel has always been the second highest cost of doing business in my operation, second only to wages. Over the past years, we have seen highway use tax go up in excess of four hundred percent. Over the past thirty years, I have not contested the increase in the state highway use tax on a per gallon basis because the state needed the money. We needed the good roads, consequently, I did not contest the increase. But any other increases in the diesel fuel, I would contest, because the margin of profit is so small, that a penny a gallon takes away any potential margin of profit, which we have not seen in over a year. I am all for the idea of using North Dakota grown products, producing them, finishing them and using them in the state.

RICHARD OSTLIE, DIRECTOR ON THE AMERICAN SOYBEAN ASSN. BOARD,

Testified in support of the bill. See attached written testimony.

REP. CARLSON Asked that Dean Peterson and Bill Delmore help with drafting a study.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION** 2-7-01, Tape #1, Side B, 5015

Committee members decided they would have a study resolution drafted instead of this bill.

