

**Remarks as Prepared
for
Under Secretary Dallas Tonsager
USDA Rural Development**

**Thursday, July 29, 2010, 1 p.m.
Groundbreaking: Biomass Innovation Park
Vonore, Tennessee**

Thank you Dr. (Kelly) Tiller (President and CEO, Genera Energy) for the kind introduction.

Congratulations: Genera Energy, DuPont, Danisco, the University of Tennessee and Governor Bredesen's leadership team for your commitment toward expanding America's access to commercially-viable cellulosic ethanol. The State of Tennessee is positioning itself to be at the epicenter of our nation's cellulosic build-out.

Acknowledgements:

**State Director Bobby Goode, and
Energy Advisor Bill Hagy**

Expanding our nation's access to second and third generation biofuels is critical, it balances environmental impacts on our natural resources, and will play a critical role in meeting America's goal of producing 36-billion gallons of renewable fuels by 2022.

Bringing all of the necessary elements: research; demonstration; production of feedstock; and eventual commercialization into a central location provides you greater operational efficiencies and a more controlled approach to creating a commercially-viable cellulosic ethanol product that can meet local and regional market needs.

Studies suggest that if we meet that goal with domestic production of biofuels, it would mean the creation of more than 800,000 new jobs across the nation.

Expanded biofuels production will mean enormous new opportunities for farmers, ranchers, and forest land owners who will provide the agricultural products and byproducts that serve as feedstock for biofuels. If we meet our biofuels goals, American producers can expect to earn an additional \$13 billion each year.

In 2009, at President Obama's direction, USDA moved quickly to expedite Farm Bill provisions to help private businesses develop and produce biofuels. And in the past year USDA has:

- Provided loan guarantees and grants to help biorefineries expand and promote the commercialization of biofuels;**
- Expedited funding to encourage production of next-generation biofuels;**
- Offered guidance and support for advanced biofuel and biomass conversion facilities;**

- **Provided funding to support the efforts to raise and provide energy crops to conversion facilities;**
- **Helped existing biorefineries retrofit their facilities to utilize biomass instead of fossil fuels to help with their heat generation and power needs.**

As we build out the cellulosic production capacity, we must also aggressively build out the consumer market demand.

Ethanol producers are nearing a production-to-market capacity (currently 87 percent). Increasing consumer access to E-85 (blends at the gasoline pumps is 10 percent currently) or lesser blended ethanol fuels, particularly in regions of the country where significant Flex Fuel Vehicles are in operation will provide producers with additional markets and consumers with greater opportunity to participate in the national effort to reduce America's dependence on foreign fuel sources.

USDA recently released a biofuels strategic production report that I encourage you to get a copy of the report – it is available on-line at www.usda.gov

In Tennessee, as of June 2010, consumers only had access to 38 stations that could offer ethanol to its customers, yet, particularly the Western portion of the state, roughly 3-5 percent of the operating vehicles are flex-fuel vehicles.

Governor Bredesen's state effort to establish E85 gas stations, every 100 miles, along all major highways is visionary and critical. I understand the state has dedicated \$1.5million to meet this goal – USDA Rural Development can be a financing partner in this effort.

USDA's Business and Industry Guarantee program:

- **Guarantee loans up to \$10 million (but can go as high as \$40 million in certain circumstances);**
- **Up to 90 percent guarantee (depends on loan amount);**
- **30-year term (real estate), 15-year (equipment), 7- year (capital)**

We made special provisions under the American Recovery and Reinvestment Act to provide guarantees for convenience stores, but only if they were including E-85 pumps as part of the loan package.

Bobby and his staff can work with lenders to help meet Tennessee's goal.

We also can work with municipalities and non-profit organizations who are converting their fleets to E-85 – we can provide financing through community facility loans and grants that can assist with the building of facilities and equipment that will service the fleet, including pumping stations.

These are a couple of ways we can work in partnership with you. President Obama, Secretary Vilsack and I are dedicated to

strengthening America's independence from foreign sources of energy, building stronger rural economies, and bringing jobs to rural America.

What you are creating here in Vonore, will provide a model to replicate in communities across our country. Thank you for your commitment to America.