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Remarks by
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Public Policy and Regulation in Supporting Demand

Good afternoon:

It is a pleasure to be here with all of you this afternoon. I deeply appreciate the invitation to be here. Although for more than a week, I have had the pleasure of languishing on the beach in Miami Beach. Needless to say, I look forward to going back on Sunday.

I am John Conrad, recently retired from Senator Grassley's office. I had the privilege of spending 21 ½ years on Capitol Hill, where I worked for Senator Jepsen, the House Agriculture Committee under Congressmen Ed Madigan and Tom Coleman, and Senator Grassley. In those positions, I covered many issues, including transportation, ag research, biofuels/bio-renewables, banking, housing and many others. I am a Conrad, Iowa farmboy. My family founded the town. My brother and I still own the family homestead and other century-plus farms.

The gist of what I will be saying is that the government – local, state, and federal – can either help you or hurt you. You must be vigilant as to what your friendly government is up to. You must be a party in the shaping of public policy and regulations affecting your industry. You must know when to take action, how to take action, who your friends are and who opposes you. Most importantly, you must have clearly defined goals with agreed upon definitions of the problem or situation to be addressed. Basically you must know why you are doing something. And you should also have a good idea of what the results will be down the line for any policy that you advocate for.

Government clearly has a role with regard to bio-renewables. Early-on that role was to provide the necessary funds for the research that was needed to produce these products in sufficient quantities at a reasonable cost. That role included economic research as to product viability, market identification and the like. Government still has a strong role in this type of research. For example, product cost must continually be reduced and economic research on markets must continue.

Research funding helped to begin the definition of government policy towards bio-renewables. That policy is: the product is beneficial to the people of the United States and must be brought to market. Policy has evolved from there to include production incentives, production goals, where bio-renewables fit in a national energy policy and so forth.

All of this takes a great deal of attention by the industry to make sure that government policy is industry friendly. There is constant interaction between the bio-renewables industry and the tax, energy, road building, and environmental committees in both Houses. Industry representatives also interact with administrative agencies such as the Departments of Agriculture and Energy, the EPA and the White House. Industry representatives closely watch for changes in current government policies and propose new policy.

Please be assured that those who oppose you are doing the same, most probably with greater resources than you have. The petroleum industry, for example, has millions and millions of dollars of government incentives to protect. It is helping to shape environmental policy, military policy to protect their off-shore resources, tax policy for incentives, etc.

Regulation is very important to the bio-renewables industry. What should be regulated, who should regulate it, how and when it should be regulated, and if it should be regulated at all are key questions that should be under constant scrutiny. Regulation can help build an industry, or tear it down.

Okay...with this as background, what does the future look like?

Three words. It looks good!

Why?

The bio-renewables industry is actively engaged on the Hill and with the Administration. There are some tough decisions that have to be made with regard to a farm bill, energy policy, tax policy and the like. But there is reason for optimism.

For example, ag-based lubricants have recognized that its industry has reached a significant point in its growth. It is in need of federal regulation which clearly defines its product so that equipment manufacturers and product users know, without question, that the product will meet minimum and maximum standards. This gives confidence to manufacturers to certify, authorize and recommend product for use. It gives confidence to users that what they are buying off-the-shelf meets manufacturers specifications and generally accepted industry norms.

Other, new bio-renewable products are getting ready to enter the marketplace. For example, a soy-based adhesive looks extremely promising. Site location has been decided, and plans for a manufacturing facility for this product are progressing.

Energy policy is also tilting in favor of renewable resources. The cost of gas may be around \$1.20 per gallon, but that cost does not, in any way, reflect the true cost of getting gasoline or diesel fuel into a vehicle. Congressional hearings and GAO studies have shown that to be true. The hidden costs of getting that energy to the U.S. are going up dramatically. I include in those hidden costs the cost for protecting foreign oil sources. Those costs are shooting up at a dramatic rate, especially with the post 9-11 military buildup. I want to be fair with my comment. Without question we must defend this country from acts of terrorism. But our military and associated costs, such as various aid payments to countries for the protection of Middle Eastern oil, are becoming greater each day, as is our dependence on those oil sources. Renewables

become more important as a means to reduce those costs, reduce our national exposure to foreign oil, and establish greater energy self-sufficiency.

A little more difficult to deal with is the issue of the place of ethanol in the Highway Trust Fund and some fictitious – phantom – dollars that the road builders think that they are losing. A discussion is taking place on the Hill at this time. This is a complex issue with many ramifications. The bottom line, in my view, is that ethanol will not lose out in this discussion. The renewable fuels industry is very engaged and continues to enjoy strong congressional support.

I have tried, in this short time, to give you a very brief, somewhat sketchy overview of the importance of public policy and regulation for bio-renewables. It is an important area for the industry to continually focus on.

Government can either help or hurt you. Your involvement, or the lack thereof, will determine which.

Thank you.