



AG Resources LLC
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4/5/2010

Dear Mr. Chairman:

*Please allow the following comments to be introduced into the record for the Committee on Ways and Means **Hearing on Tax Incentives Driving the Green Job Economy** scheduled for April 14th 2010.;*

AG Resources is in the business of providing green fuels to heavy industry. As such we have been contracted by a major U.S lime and stone producer to supply fuel for its use in a lime kiln located in central Pennsylvania. We currently provide jobs for 4 people and would like to hire more full time employees.

This letter is intended to outline the nature of the green fuel that we supply and the benefits of the associated tax credit that was received for use of this alternative fuel mixture.

The main ingredient of our fuel is crude glycerin resulting as a co-product from the manufacture of biodiesel. Crude glycerin is made from the processing of soy beans or other biomass material such as waste vegetable oil. The constituents of this product include natural glycerin (CH₂OH-CHOH-CH₂OH) typically 80%, excess catalyst (NaOH or KOH or NaOCH₃) trace amounts, H₂O trace amounts, residual fats, oils, triglycerides, methanol (CH₃OH) trace amounts, .01% mineral diesel fuel

If the tax credit for alternative fuel mixtures is not reinstated with the timely passage of HR 4213 by the House of Representatives as amended by the Senate in March 2010 the results will have a negative impact on three distinct industries within the US;

- Within the Cement and Lime Industry the acquisition price for the biomass fuel will increase to the point that it would cost twice as much as fossil fuels. This would potentially render the biomass fuel economically unviable and will force the industry back onto reliance on green house gas emitting fossil fuels.
- Within the green fuels industry the lack of the tax credit will stop continuing research into alternative industrial green fuels for use in stationary equipment. The cement and lime industry has long been recognized as a major CO₂ emitter. We are working hard within this industry to explore the use of renewable clean burning fuels. The Alternative Fuel Mixture tax credit funds most of this effort and allows for the employment of researchers and technical experts.
- Within the biodiesel industry the lack of the tax credit will have the effect of limiting the outlets for the crude glycerin co-product. This would create bottle necks in production due to storage issues. In the past this has caused plant shutdowns and layoffs within the industry. Glycerin overflows will cause environmental issues.

Industries that rely on fossil fuels for energy production have been putting a lot of resources (time, people and money) into finding alternative fuels to improve their overall environmental

positions as well as their carbon footprints. It has proven to be a challenging task to find a fuel that is compatible in production, available in enough quantities to be a long-term solution, logistically feasible (transportation, storage and handling etc.) and not cost prohibitive. We recognize this is the direction our government and county are headed, and we desire to be part of the solution. Unfortunately government action or inaction is often one of our biggest obstacles. Whether it be getting permitted to use the fuels, or large shifts in the cost due to inconsistent handling of government incentives, many are finding it difficult if not impossible to work their way to compliance.

Usage of biodiesel and its byproduct glycerin as alternative fuels have increased substantially over the last few years, and that usage has played a significant role in reducing green house gasses during that time along with providing green jobs. The biodiesel and alternative fuel tax credit incentives were critical towards making these fuels sustainable and viable. Without the tax credit incentives, usage of these alternative fuels will decrease dramatically, as the economics will drive many if not all producers out of the market and many jobs within this industry will cease to exist.

The justifications for the reinstatement of the tax credit fall into four separate categories;

- The lower cost of the biobased fuel as compared to fossil fuels will make the US cement and lime industry more competitive in the global arena thereby providing additional jobs within the US as we continue to repair and improve our nations infrastructure.
- The reduction of the carbon emissions through the use of these fuels has a positive effect on the health and welfare of the citizens of the US.
- The tax credit permits companies to continue the cost intensive research and development into industrial green fuels. This will, overtime, result in increased availability and use of these types of fuels along with employment opportunities within this industry.
- Finally, the use of this biomass based fuel as a co-product from the biodiesel industry improves the overall economic health on the biodiesel industry. The viability of this industry is crucial to breaking our countries reliance on foreign oil. Additionally the production of biodiesel in the US provides jobs not only for the workers that are manufacturing the biodiesel but also for the farmers who are growing the crops that provide the feedstock for the fuel.

We sincerely believe that the reinstatement of the tax credit for the legitimate use of Alternative Fuel Mixtures is critical to the success of many industries along with providing a significant reduction in emissions that are harmful to our environment and at the same time providing the citizens of the US with green job opportunities.

The paper industry's exploitation of this tax credit, which has cost the taxpayers so dearly while not providing additional jobs, was not in keeping with the intent of the original legislation creating the tax credit and has caused damage to the credibility of alternative green fuels. Senators Baucus and Grassley recognized this last summer and co-authored legislation to prohibit the use of black liquor for the benefit of the tax credit. HR4213 as amended and passed by the Senate in March of 2010 allows for the Alternative Fuel Mixture credit while prohibiting the exploitation of this credit by the paper industry by amending the tax code of 1986. We strongly urge the timely passage of this bill through your this committee and thank you for your support of green energy and green energy jobs in this country. .

Sincerely,

Robert L. Hodgetts
President
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