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NBC-KING5 Seattle: Washington's biodiesel industry in limbo

By ERIC WILKINSON / KING 5 News

Growing up during the gas shortages of the 1970's, Dan Freeman decided America's energy policies were like a clogged fuel filter: they kept stalling the country's progress. Twenty-five years later he became the first to introduce biodiesel to Seattle.

"I see it as the simplest, most perfect solution to our oil, energy and global warming problems," he said from outside Dr. Dan's Alternative Fuelworks in Ballard, where he sells biodiesel to drivers.

Washington state has been a leader in the biofuel industry, producing millions of gallons of biodiesel and supporting hundreds of family wage jobs. Now, though, the EPA is considering reducing the mandatory mixture of ethanol and biodiesel in our gas pumps by hundreds of millions of gallons. It's a move Freeman thinks could kill an important economic engine for Washington.

"That certainly is going to cut off any growth or plans of future development in the industry," he said.

The biofuel industry is coming off a record year, and could be falling victim to its own success.The EPA says the country is approaching a point where the biofuel mandates would require the use of more ethanol than can be blended into gasoline at the standard 10% mixture. Oil producers say the situation

would force them to export more fuel or produce less gasoline, which could lead to possible shortages and higher prices at the pump. Biodiesel doesn't fall under the same contraints as ethanol, but is considered the same thing by regulators and would still be subject to the EPA cuts.

Analysts say cutting the EPA mandate could cost 45,000 jobs nationwide. Seattle's General Biodiesel is in the middle of a 5 million dollar expansion, hoping to quintuple production and add about 10 more jobs. But the opposite may happen if the EPA cuts are approved.

"We have no plans to cut jobs now, but it's something you have to look at. The constant back and forth creates uncertainty for employees, managers and for investors," said CEO Jeff Haas. "It's a time of great uncertainlty right now."

As for Dan Freeman, he says he's losing faith that biofuels will ever succeed because the government simply won't let them. "It still has huge potential, but until the people in government get behind it it's not going to reach that potential."

The EPA is taking public comment on the issue until January 28th. Send comments to a-and-r-docket@epa.gov and reference: Docket ID No. EPA-HQ-OAR-2012-0632