



Biodiesel Workshop: Race to Success

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Renewable Energy Group®

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Agenda

- Federal Policy Impact
 - RFS2
 - Tax Incentive
- Obligated Party Purchasing Trends
- Value of RINs

REG - Leading the Biodiesel Industry

- Largest biodiesel producer and marketer in U.S.
- Industry leadership since inception in 1996
- Transitioned successfully from technology provider to network operator to wholly-owned platform company
- Actively consolidating the industry; 6 acquisitions in 2010 and 1 in 2011
- Redefining quality with REG-9000[®] brand
- Positioned for RFS2 mandated growth
- Stable management team
- Leveraging platform into second generation biofuels and renewable chemicals

Note: 1 - Equals gallons produced and third-party gallons sold



REG Network of Biodiesel Production (212 MGY Capacity in Production)



High
Low

REG Albert Lea
30 MGY, Acquired: 07/2011
Albert Lea, Minn.



High
Low

REG Danville
Danville, IL
45 MGY, Startup: 11/2008



Low

REG Houston
Seabrook, TX
35 MGY, Startup: 08/2008

High

High free fatty acid
feedstock conversion
(fats, corn, waste
greases)



High
Low

REG Newton
30 MGY, Startup: 5/2007
Newton, IA



Low

REG Ralston
12 MGY, Startup: 3/2003
Ralston, IA



High
Low

REG Seneca
60 MGY, Acquired: 04/2010
Seneca, IL

Low

Low free fatty acid
feedstock conversion
(soy, canola, refined
fats)

TBC

To be completed



High
Low
TBC

REG Emporia
60 MGY, Startup: TBD
Emporia, KS



High
Low
TBC

REG New Orleans
60 MGY, Startup: TBD
Destrehan, LA

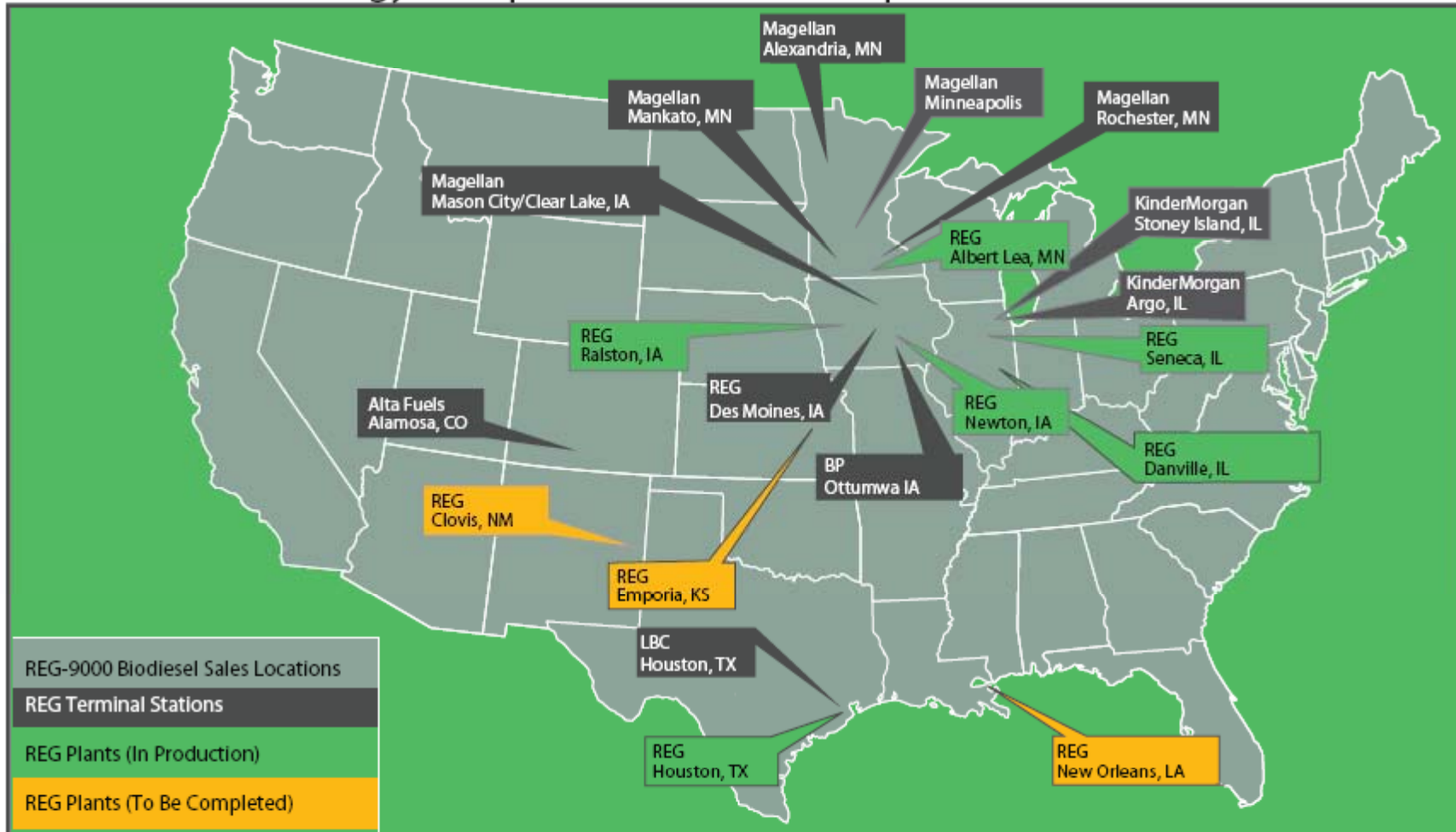


High
Low
TBC

REG Clovis,
15 MGY, Acquired: 09/2010
Clovis, NM

16 National B99/B100 Locations, Product Available Nationwide

Renewable Energy Group® Plant/Terminal Map





Market Drivers

Advanced Biofuel: Good for America

- EPA-defined “Advanced Biofuels” include
 - Imported sugar cane ethanol
 - Domestically-produced cellulosic ethanol
 - Renewable diesel
 - Biodiesel
- Biodiesel reduces greenhouse gas emissions by up to 86% compared to petroleum diesel

Diesel. Biodiesel. Renewable Diesel. Advanced Biofuel

What Are We Talking About?



- Fossil fuel-based
- Hydrocarbon rich
- Any diesel engine
- No. 1; No. 2, etc.



- >50% GHG reduction
- Cellulosic ethanol
- Sugarcane ethanol
- Renewable diesel
- Biodiesel



- Fossil fuel-based and/or fats oils
- Hydrocarbon rich
- Oxygen poor
- Any diesel engine
- Low commercial production today



- 57-86% GHG reduction
- Emissions benefits ("oxygenate" rich)
- 100% renewable based
- Strong commercial production today

*Source: EPA

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Environment and Sustainability

- Biodiesel yields a 78 percent reduction in direct lifecycle carbon dioxide emissions compared to petroleum diesel fuel
- 5 to 1 energy ratio (compared to petroleum at 0.8:1)*
- 57%-86% GHG reductions**

Source: *USDA, Univ. of Idaho study
**EPA RFS2 Regulations

Energy Security

- The U.S. uses approximately 20 million barrels of oil a day (or 840,000,000 gallons), more than half of which is imported
- President announced new goals for reducing dependence on foreign oil

Biodiesel's role...

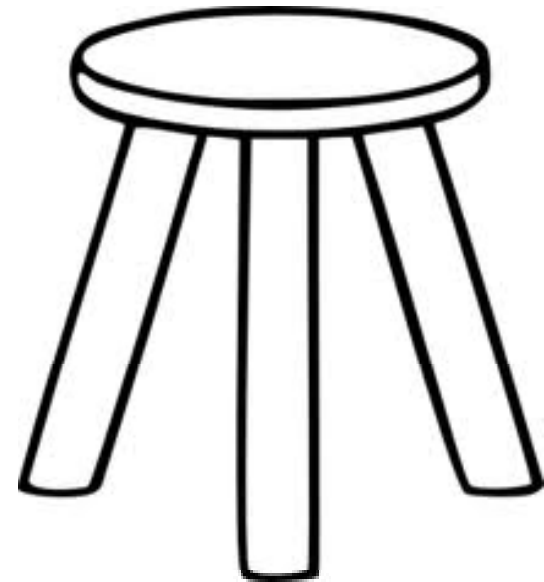
- Produced in the U.S. using U.S.-derived feedstock
- The 545 million gallons of biodiesel produced in the U.S. in 2009 displaced 30 million barrels of petroleum

Three Major Market Drivers

Renewable Fuels Standard
(RFS2)

Federal Biodiesel
Tax Incentive

State Level
Incentives/Requirements



Industry Has Entered Important New Stage with Implementation of RFS2

- First biodiesel Renewable Fuels Standard
- Requires petroleum refiners and importers to show compliance for biodiesel use
 - Refiners/importers known as “obligated parties”
 - Biodiesel accounts for 0.91% of obligated party’s diesel fuel refining/importation
- Compliance shown using “Renewable Identification Numbers”
 - RINs are the tracking mechanism for obligated party compliance
 - Value associated with RINs determined by market’s supply/demand of biodiesel

RFS2 is the Most Significant Biodiesel Industry Driver in Today's Marketplace

EISA Renewable Fuel Volume Requirements (RFS2) (billion gallons)

Year **Biomass-Based Diesel**
First Level of Compliance for
Biodiesel Producers to Meet

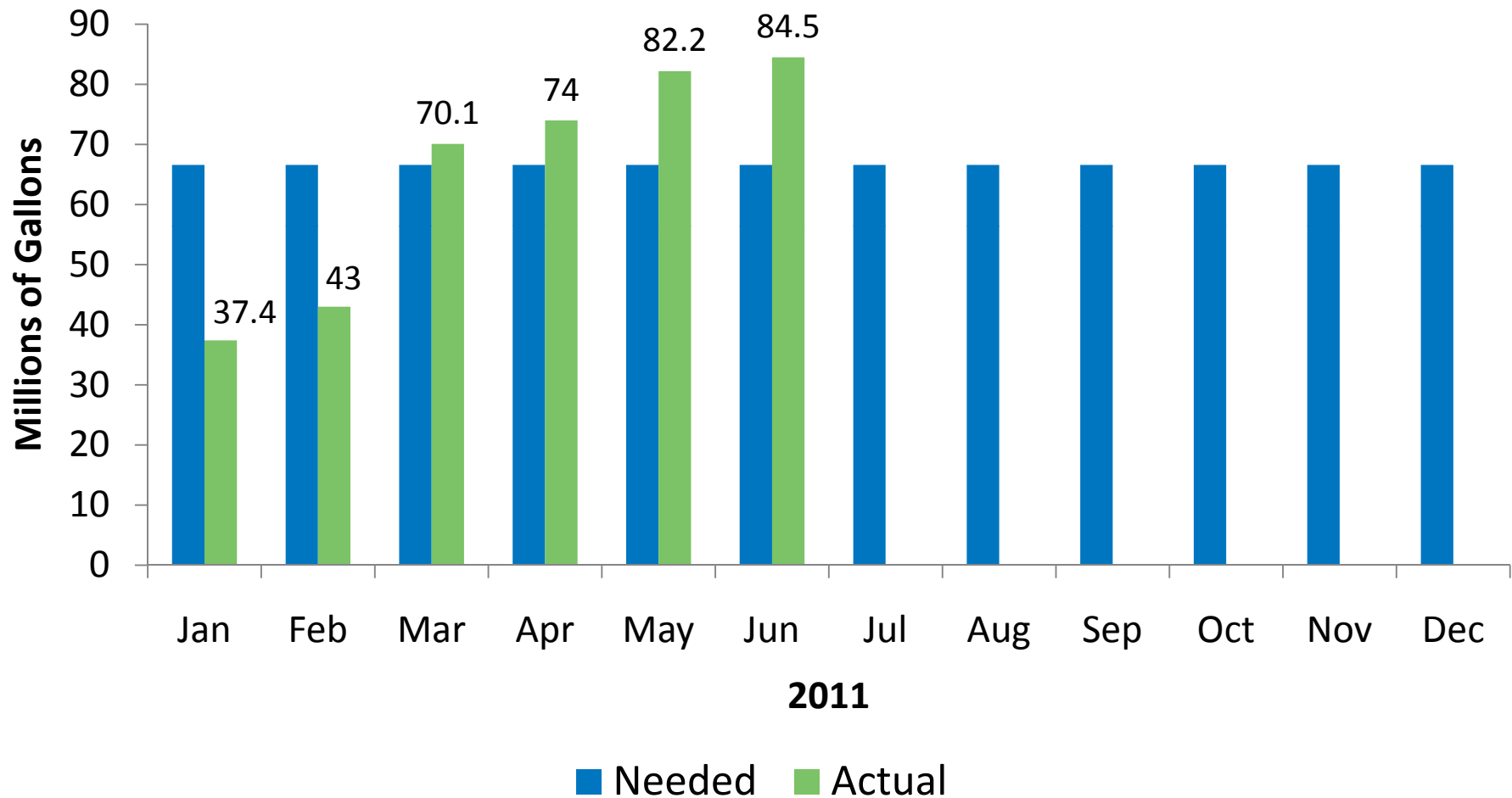
2011	0.8
2012	1
2013	1.28
2014	1+, TBD by EPA
2015	1+, TBD by EPA
2016	1+, TBD by EPA
2017	1+, TBD by EPA
2018	1+, TBD by EPA
2019	1+, TBD by EPA
2020	1+, TBD by EPA
2021	1+, TBD by EPA
2022	1+, TBD by EPA

RFS2 is the Most Significant Biodiesel Industry Driver in Today's Marketplace

EISA Renewable Fuel Volume Requirements (RFS2) (billion gallons)

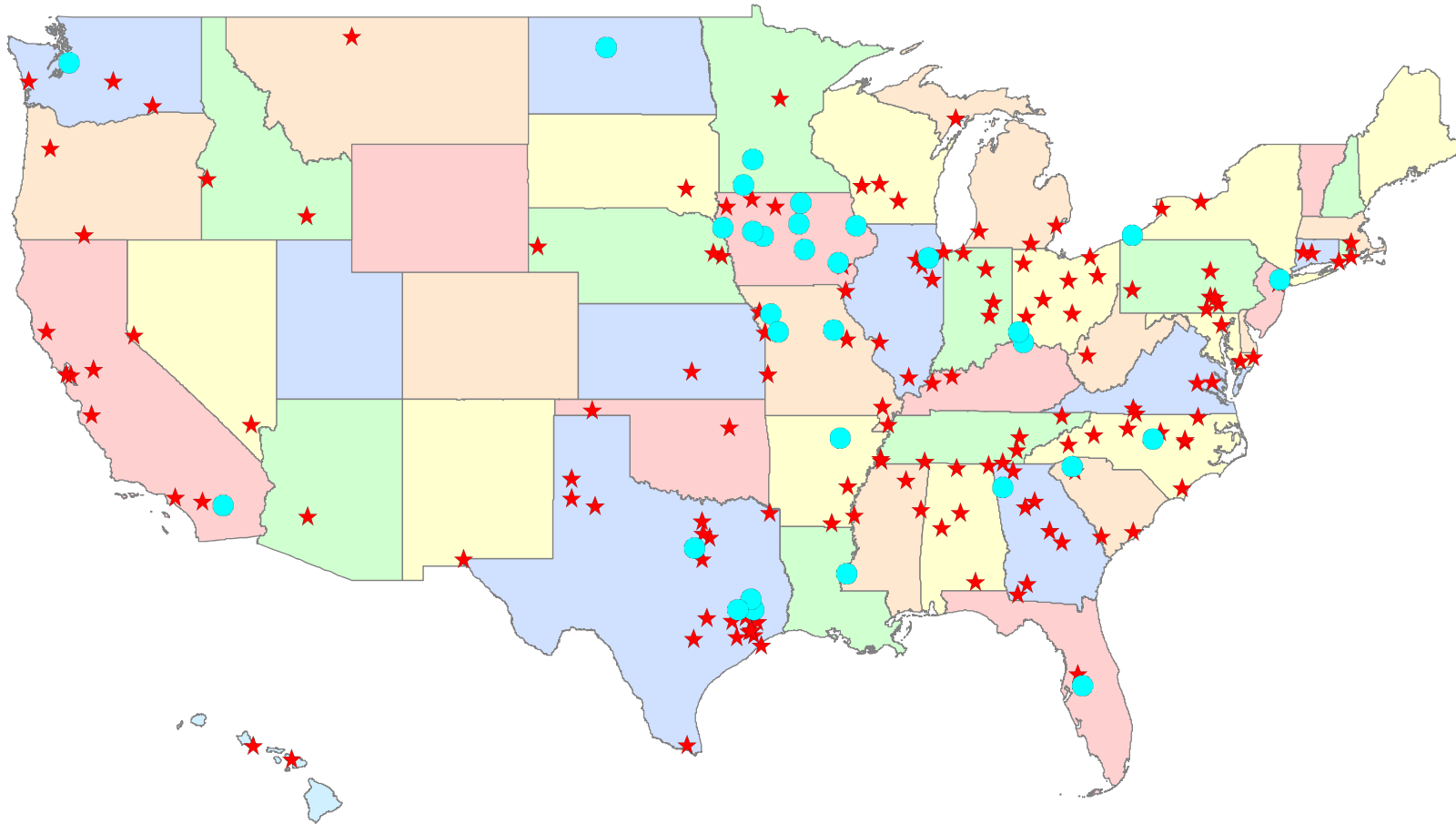
Year	Biomass-Based Diesel <i>First Level of Compliance for Biodiesel Producers to Meet</i>	Advanced Biofuel requirement <i>Additional Opportunity for Biodiesel to Meet AB Volume Goals as Other Technologies Develop</i>
2011	0.8	0.90
2012	1	1.33
2013	1.28	1.83
2014	1+, TBD by EPA	2.50
2015	1+, TBD by EPA	3.67
2016	1+, TBD by EPA	4.83
2017	1+, TBD by EPA	6.00
2018	1+, TBD by EPA	7.33
2019	1+, TBD by EPA	8.67
2020	1+, TBD by EPA	10.00
2021	1+, TBD by EPA	12.00
2022	1+, TBD by EPA	14.00

U.S. Biodiesel Producers on Track to Meet 800 MMGY RFS2 Renewable Volume Obligations



Source: EPA EMTS Data July 26, 2011

More Than 2 Billion Gallons of Production Capacity Registered with EPA to Meet RVO



146 Plants

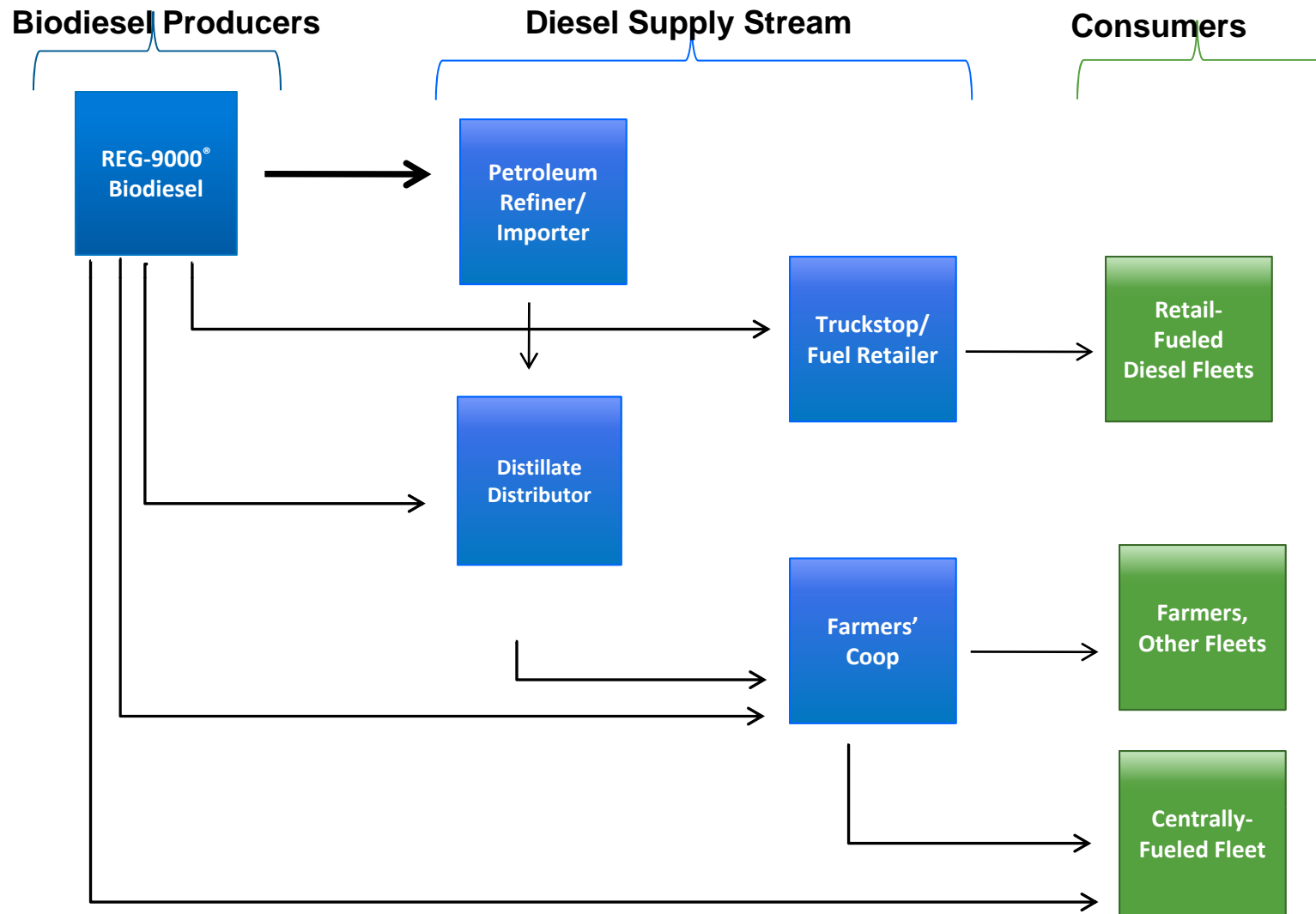
● BQ-9000 Accredited Producers

Source: National Biodiesel Board/EPA

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REG Sales to Obligated Parties Increasing; Biodiesel Being Blended Upstream Vs. Mid-Stream as in the Past



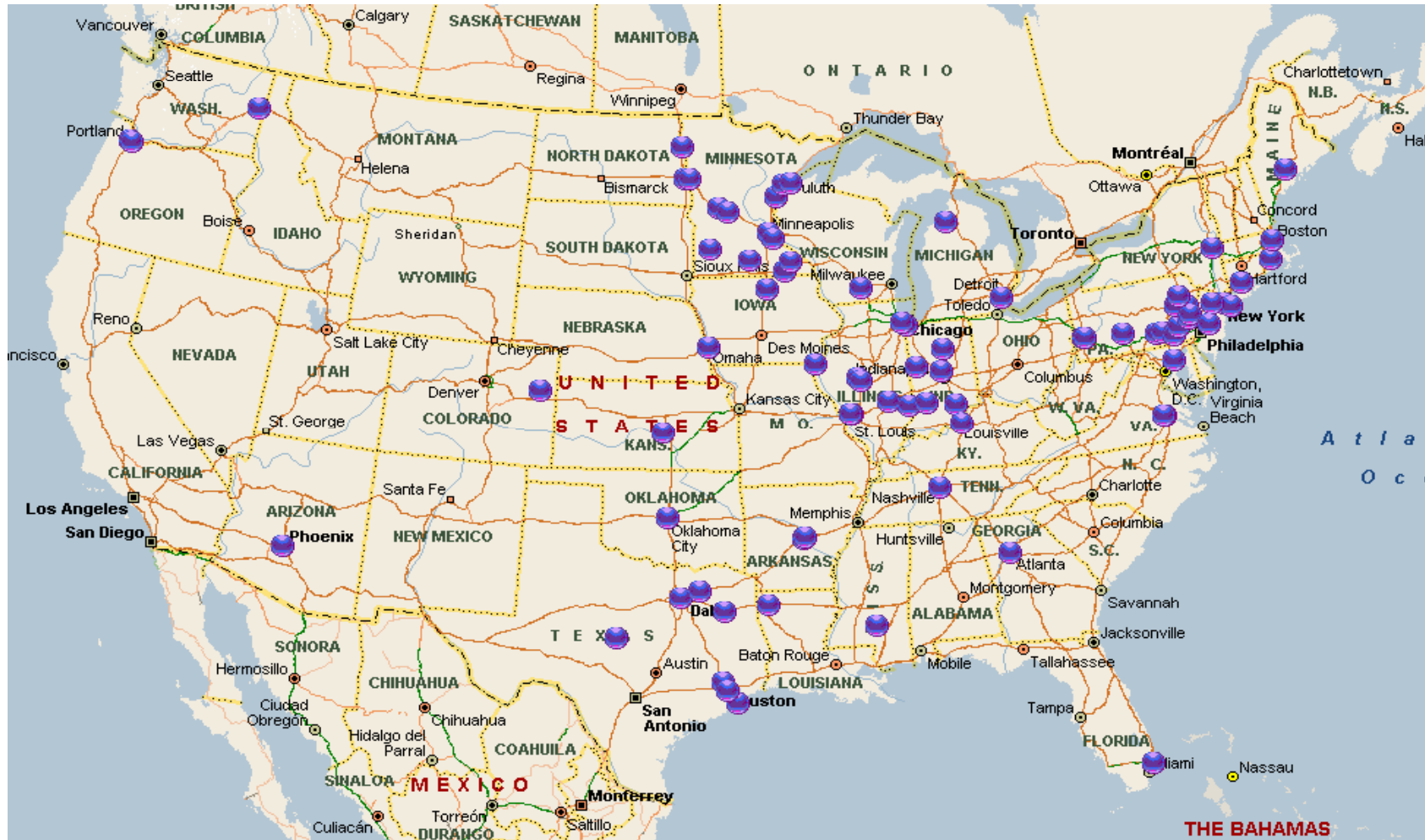
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U.S. Distribution Capabilities for Biodiesel Blending Growing

- Pipeline shipment development increasing
- Available through direct shipment from over 1,459 petroleum distributors nationwide
 - Approximately 1,321 retail filling stations nationwide
 - 200 locations are semi-truck accessible
- Some 1200 terminals cover the U.S. landscape, 158 handle biodiesel nationwide, 75 automated for distribution
- Numbers expected to grow

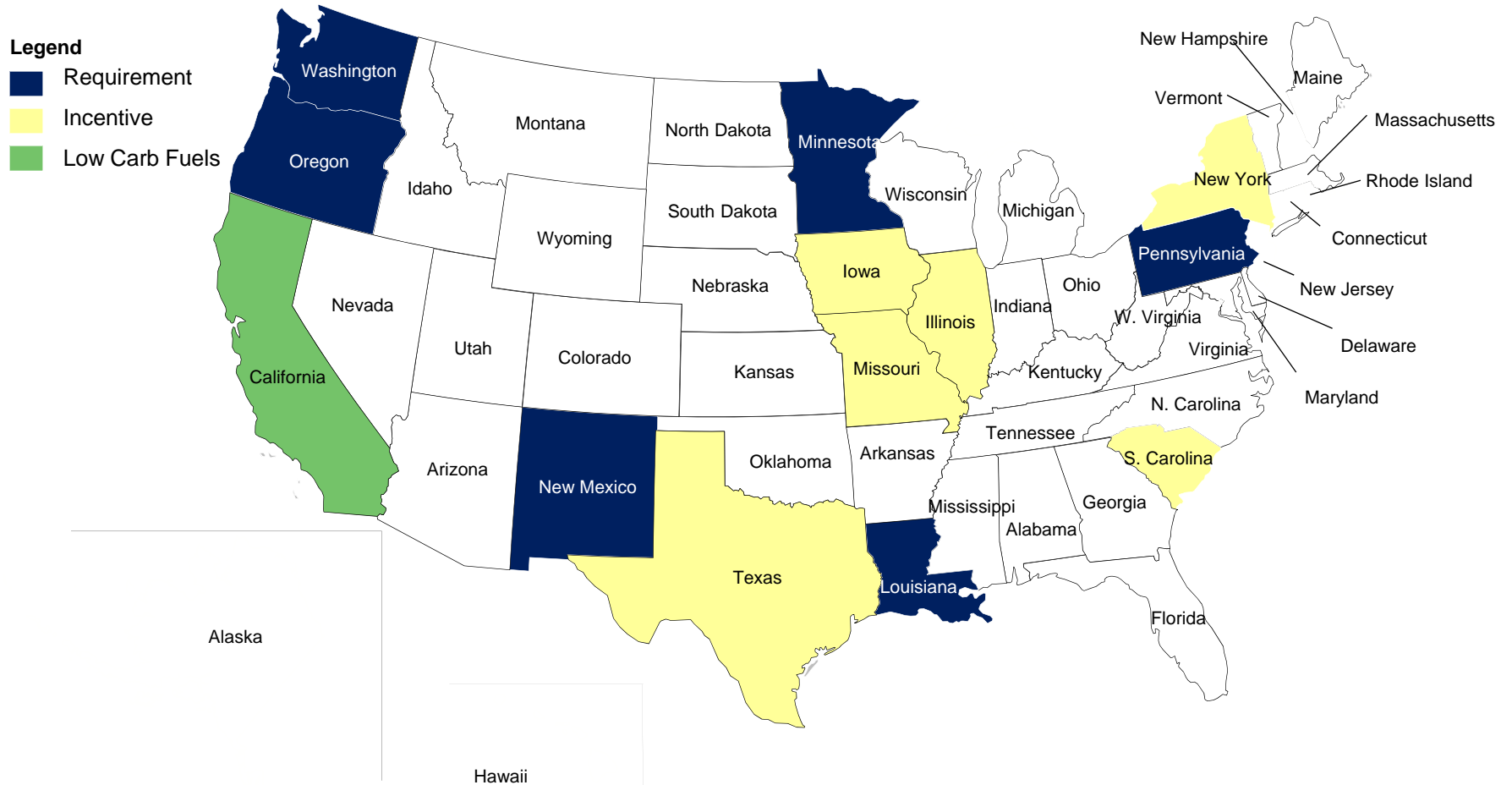
Major U.S. Petroleum Terminals with B100/B99 Availability for Blending



Federal Biodiesel Blenders' Tax Credit

- Blenders Tax Credit
 - Expired December 31, 2009
 - Passed retroactively for 2010
 - Expires December 31, 2011
- Production Tax Incentive
 - Bill introduced in House and Senate today
 - Proposes
 - \$1.00/per gallon to biodiesel producer
 - Would expire 2015 (three-year program)
 - Waiting to determine bills' next steps

Biodiesel State Policy Programs Drive RFS2 Blended Gallons, Infrastructure



Source: REG

Biodiesel State Incentives 2011

- Louisiana B2 Mandate once 15 mgy of production capacity
- Connecticut B2 Heating Oil mandate
- New York B2 Heating Oil mandate
- Ohio Tax credit to retailers: \$ 0.15 in year 1 and \$ 0.13 in year
- Rhode Island Biodiesel is exempt from excise taxes
- South Dakota Reduced road tax rate for biodiesel blends
- Kentucky Income tax credit of \$ 1.00/gall of biodiesel blends
- North Carolina Biodiesel is exempt form state sales and use tax
- North Dakota Fuel suppliers entitled to a \$0.05/gal credit for every gallon of B5 sold
- Missouri \$0.30/gallon production incentives for first 15m gallons, \$0.10/gallon next 15m

Biodiesel State Incentives 2011

- Minnesota B5 Mandate effective May 2009
- Illinois Tax abatement on B11 biodiesel blends 6.25%
- Iowa \$0.03/gallon tax income tax credit on gallons including B2
- Oregon B5 Mandate effective April 1st 2011
- Washington B2 Mandate effective December 2008
- Pennsylvania B2 mandate effective January 2010 for transportation fuel
- South Carolina \$0.25/gallon retailer incentive on B100
- Texas \$0.20/gallon tax abatement on B100
- New Mexico B5 mandate for state fleets effective July 2010, all diesel July 2012
- Hawaii Excise tax abatement of 25% on B100 gallons

B5 and Fuel Quality

- ASTM 975 spec allows for up to 5% biodiesel (which meets D6751) and still meet diesel quality spec
- **B5 IS DIESEL FUEL**
- Cold weather performance test (cold soak filtration) required to receive \$1/gallon credit

Market Diversity Makes for Flexible RFS2 Compliance

ON-HIGHWAY USERS

- Trucking
- Fleets
- Passenger Vehicles



POWER GENERATION

- Municipalities
- Electric power gen



HOME HEATING

- Bioheat as new opportunity vs. natural gas



MINING

- Underground operations
- Meets MSHA specs

MILITARY

- Jet fuel applications
- U.S. bases



AG AND OFF-ROAD USERS

- Lubricity Enhancement
- Support local economy



Conclusion

- Biodiesel availability growing
- Market drivers include state and federal policies focused energy security, lower carbon and cleaner air
- REG is a reliable, nationwide supplier to meet growing demand



Thank You

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