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President Discusses Biodiesel and Alternative Fuel Sources

Virginia BioDiesel Refinery
West Point, Virginia

 [In Focus: Energy](#)

11:25 A.M. EDT

THE PRESIDENT: Thank you all. (Applause.) Please be seated. Thanks for coming. Thanks for the warm welcome, and thank you for giving me a chance to get out of Washington. (Laughter.) I'm proud to be the first sitting President to visit this part of Virginia. (Applause.) They tell me George Washington came -- (laughter) -- before he was President. I thought it was time for another George W. to stop by. (Applause.)

I appreciate the folks here at Virginia BioDiesel for showing me around. You know, I love the innovative spirit of our entrepreneurs in this country. And the folks here have got incredible vision and they're willing to take risk to innovate. What I think is interesting is they have combined farming and modern science, and by doing so, you're using one of the world's oldest industries to power some of the world's newest technologies. After all, they're taking soybeans and converting it to fuel and putting it into brand-new Caterpillar engines. (Applause.)



Biodiesel is one of our nation's most promising alternative fuel sources. And by developing biodiesel, you're making this country less dependent on foreign sources of oil. (Applause.) As my friend, George Allen said, that's the reason I have come. I want to talk about the need for this country to have a comprehensive energy strategy. I appreciate George's leadership, and I appreciate his friendship. You've got a fine United States Senator in Senator George Allen. (Applause.)

And today I took a helicopter down from the White House with our Secretary of Agriculture, Mike Johanns. Mike, thank you for coming. Mike is from the state of Nebraska. (Applause.) For those of you involved with agriculture, he knows something about it, you'll be happy to hear. He was raised on a dairy farm. He's a good man, and I really appreciate he and his lovely wife. He was the governor of Nebraska when I called him; he quit and he came to Washington. And I want to thank you for serving our country, Michael. Thank you very much. (Applause.)

I want to thank the members of the congressional delegation who have joined us -- Congressman Bobby Scott, Congresswoman Jo Ann Davis, Congressman Eric Cantor, Congressman Randy Forbes, Congresswoman

Thelma Drake. She brought her husband, Ted, with her. Thank you all for serving. I enjoy working with you all. (Applause.)

I want to thank a member of the statehouse who is here, State Senator Walter Stosch is with us today -- Walter, thank you for coming. The Mayor is here from the city of West Point, Andy Conklin. I want to thank you, Mr. Mayor, for joining us. I like to tell mayors -- they never ask for my advice, I give it anyway when I see them -- and that is fill the potholes. (Laughter and applause.)

I want to thank the Administrator John Budesky for joining us. I want to thank all the state and local officials. I want to thank you all for coming, as well. It's such a beautiful day to be outside, isn't it?

I want to thank Douglas Faulkner, who is the managing member of the Virginia BioDiesel Refinery. Thank you, Douglas, for -- there he is right there. (Applause.) Douglas has brought a lot of his family here. He brought his father Norman, and brother Norman -- the Norman boys. (Laughter.) Thank Allen Schaeffer, as well. And I want to thank the folks who lent the equipment for this event.



One of the things that is really important for government is to make sure that the environment is such that the entrepreneurial spirit remains strong. Ever since I've been elected, I tell people that the role of government is not to try to create wealth, but an environment in which people are willing to take risks. That's the role of government. And across our nation, small businesses like Virginia BioDiesel are taking risks and are developing innovative products. As a matter of fact, small businesses create most of the new jobs in America. I don't know if you know that or not, but 70 percent of new jobs in this country are created by small businesses and entrepreneurs. And I'm pleased to report that the small business sector of America is strong today. As a matter of fact, over the last two years we have added 3.5 million new jobs. More Americans are working today than ever in our nation's history. (Applause.)

The national unemployment rate is down to 5.2 percent. That's below the average rate of the 1970s, 1980s and 1990s. And the unemployment rate in the great Commonwealth of Virginia is 3.3 percent. (Applause.) And over the next years, we've got to continue to build on this progress. To make sure our families are strong and businesses are strong, and our farmers can stay in business, we have got to keep taxes low -- and we will. (Applause.) As a matter of fact, for the sake of our family farmers and for the sake of our entrepreneurs, we'll make sure the death tax stays on the path to extinction. (Applause.) We'll continue to cut needless regulations, and I'm going to continue to work with Congress to stop the spread of junk lawsuits. (Applause.)

We're going to be wise with your money. We've got a simple motto in my office, when it comes to spending your money. One, we understand it's your money, and not the government's money. And secondly, we're going to work to ensure that every taxpayer dollar is spent wisely, or not at all. (Applause.) We'll continue to open up foreign markets to America's crops and products, and ensure a level playing field for American farmers and producers and workers.

And to guarantee Americans have a secure and dignified retirement -- if you're getting your check, you don't have anything to worry about on this issue. You need to worry about your children and your grandchildren when it comes to Social Security. To make sure we have a retirement system that works for a future generation of Americans, Congress must work with me to strengthen and save Social Security for a generation to come. (Applause.)



And to keep creating jobs and to keep this economy growing, it is important for our country to understand we need an affordable, reliable supply of energy. And that starts with pursuing policies to make prices reasonable at the pump. Today's gasoline prices and diesel prices are making it harder for our families to meet their budgets. These prices are making it more expensive for farmers to produce their crop, more difficult for businesses to create jobs.

Americans are concerned about high prices at the pump, and they're really concerned as they start making their travel plans, and I understand that. I wish I could just wave a magic wand and lower the price at the pump; I'd do that. That's not how it works. You see, the high prices we face today have been decades in the making. Four years ago I laid out a comprehensive energy strategy to address our energy challenges. Yet Congress hasn't passed energy legislation. For the sake of the American consumers, it is time to confront our problems now, and not pass them on to future Congresses and future generations.

The increase in the price of crude oil is largely responsible for the higher gas prices and diesel prices that you're paying at the pump. For many years, most of the crude oil refined into gasoline in America came from home, came from domestic oil fields. In 1985, 75 percent of the crude oil used in U.S. refineries came from American sources; only about 25 percent came from abroad. Over the past few decades we've seen a dramatic change in our energy equation. American gasoline consumption has increased by about a third, while our crude production has dropped and oil imports have risen dramatically.

The result today -- the result is that today only 35 percent -- only 35 percent -- of the crude oil used in U.S. refineries comes from here at home; 65 percent comes from foreign countries, like Saudi Arabia and Mexico and Canada and Venezuela. You see, we're growing more dependent on foreign oil. Because we haven't had an energy strategy, we're becoming more dependent on countries outside our borders to provide us with the energy needed to refine gasoline. To compound the problem, countries with rapidly growing economies, like India and China, are competing for more of the world oil supply. And that drives up the price of oil, and that makes prices at the pump even higher for American families and businesses and farmers.

Our dependence on foreign oil is like a foreign tax on the American Dream, and that tax is growing every year. My administration is doing all we can to help ease the problem in the short run. We're encouraging oil-producing countries to maximize their production so that more crude oil is on the market, which will help take the pressure off price. We'll make sure that consumers here at home are treated fairly, there's not going to be any price-gouging here in America. But to solve the problem in the long run, we must address the root causes of high gasoline prices. We need to take four steps toward one vital goal, and that is to make America less dependent on foreign sources of oil. (Applause.)



We must be better conservers. We must produce and refine more crude oil here in America. We must help countries like India and China to reduce their demand for crude oil. And we've got to develop new fuels like biodiesel and ethanol as alternatives to diesel and gasoline. (Applause.)

Americans have been waiting long enough for a strategy. It is time to deliver an effective, common-sense energy strategy for the 21st strategy. And that's what I want to talk to you about today. The first step toward making America less dependent on foreign oil is to improve fuel conservation and efficiency. My administration is leading research into new technologies that reduce gas consumption while maintaining performance, such as lightweight auto parts and more efficient batteries.

We're raising fuel economy standards for sport utility vehicles and vans and pickup trucks, starting with model year 2005. When these reasonable increases in mileage standards take full effect, they will save American drivers about 340,000 barrels of gasoline a day. That's more gas than you consume every day in the entire state of Virginia.

To improve fuel efficiency, we're also taking advantage of more efficient engine technologies. Hybrid vehicles are powered by a combination of internal combustion engine and an electric motor. Hybrid cars and trucks can travel twice as far on a gallon of fuel as gasoline-only vehicles. And they produce lower emissions.

To help more consumers conserve gas and protect the environment, my budget next year proposes that every American who purchases a hybrid vehicle receive a tax credit of up to \$4,000. (Applause.)

Diesel engine technology has also progressed dramatically in the past few decades. Many Americans remember the diesel cars of the 1970s -- they made a lot of noise and they spewed a lot of black smoke. Advances in technology and new rules issued by my administration have allowed us to leave those days of diesel behind. Our clean diesel rules will reduce air pollution from diesel engines by about 90 percent, and reduce the sulfur content of diesel fuel by more than 95 percent.

Today I saw a diesel-powered truck that can get up to 30 percent better fuel economy than gasoline-powered vehicles, without the harmful emissions of past diesels. I mean, the fellow got in the truck and cranked it up, and another man got on the ladder, and he put the white handkerchief by the emissions port, and the white handkerchief remained white. In other words, technology is changing the world. Our engines are becoming cleaner.

Consumers around the world are taking advantage of clean diesel technology. About half of newly registered

passenger cars in Western Europe are now equipped with diesel engines. Yet in America, fewer than 1 percent of the cars on the road use diesel. According to the Department of Energy, if diesel vehicles made up 20 percent of our fleet in 15 years, we would save 350,000 barrels of oil a day. That's about a quarter of what we import every day from Venezuela.

To help more Americans benefit from a new generation of diesel technology, I have proposed making owners of clean diesel vehicles eligible for the same tax credit as owners of hybrid vehicles. America leads the world in technology. We need to use that technology to lead the world in fuel efficiency. (Applause.)

The second step toward making America less dependent on foreign oil is to produce and refine more crude oil here at home, in environmentally sensitive ways. By far the most promising site for oil in America is the Arctic National Wildlife Refuge in Alaska. I want you all to hear the facts about what we're talking about. Technology now makes it possible to reach the oil reserves in ANWR by drilling on just 2,000 acres of the 19 million acres. Technology has advanced to the point where you can take a small portion -- 2,000 acres -- of this vast track of land and explore for oil in an environmentally sensitive way.

As a matter of fact, developing this tiny area could yield up to about a million barrels of oil a day. And thanks to technology, we can reach that oil with almost no impact on land or wildlife. To make this country less dependent on foreign -- foreign oil, Congress needs to authorize pro-growth, pro-job, pro-environment exploration of ANWR. (Applause.)

As we produce more of our own oil, we need to improve our ability to refine it into gasoline. There has not been a single new refinery built in America since 1976. Here in Virginia, you have only one oil refinery, the Yorktown refinery. And that was built in the 1950s. To meet our growing demand for gasoline, America now imports more than a million barrels of fully refined gasoline every day. That means about one of every nine gallons of gas you get in your pump is refined in a foreign country. To help secure our gasoline supply and lower prices at the pump, we need to encourage existing refineries like Yorktown to expand their capacity. So the Environmental Protection Agency is simplifying rules and regulations for refinery expansion. And they will do so and maintain strict environmental safeguards at the same time.

We also need to build new refineries. So I've directed federal agencies to work with states to encourage the construction of new refineries on closed military facilities, and to simplify the permitting process for these new refineries. By promoting reasonable regulations, we can refine more gasoline for more American consumers. And that means we're less dependent on foreign sources of energy.

The third step toward making America less dependent on foreign oil is to ensure that other nations use technology to reduce their own demand for crude oil. It's in our interest -- it's in our economic interest and our national interest to help countries like India and China become more efficient users of oil, because that would help take the pressure off global oil supply, take the pressure off prices here at home. At the G8 meeting in July, I'm going to ask other world leaders to join America in helping developing countries find practical ways to use clean energy technology, to be more efficient about how they use energy. You see, when the global demand for oil is lower, Americans will be better off at the gas pump.

The final step toward making America less dependent on foreign oil is to develop new alternatives to gasoline and diesel. Here at Virginia BioDiesel, you are using Virginia soybean oil to produce a clean-burning fuel. Other biodiesel refiners are making fuel from waste products like recycled cooking grease. Biodiesel can be used in any vehicle that runs on regular diesel, and delivers critical environmental and economic benefits.

Biodiesel burns more completely and produces less air pollution than gasoline or regular diesel. Biodiesel also reduces engine wear, and produces almost no sulfur emissions, which makes it a good choice for cities and states working to meet strict air quality standards. And every time we use home-grown biodiesel, we support American farmers, not foreign oil producers. (Applause.)

More Americans are realizing the benefits of biodiesel every year. In 1999, biodiesel producers sold about 500,000 gallons of fuel for the year. Last year, biodiesel sales totaled 30 million gallons. That's a sixtyfold increase in five years. (Applause.) More than 500 operators of major vehicle fleets now use biodiesel, including the Department of Defense and the National Park Service and James Madison University. The County of Arlington, Virginia, has converted its fleet of school buses to biodiesel. And Harrisonburg is using biodiesel in its city transit buses.

In the past three years, more than 300 public fueling stations have started offering biodiesel. You're beginning to see a new industry evolve. (Applause.) And as more Americans choose biodiesel over petroleum fuel, they can be proud in knowing they're helping to make this country less dependent on foreign oil. (Applause.)

Another important alternative fuel is ethanol. Ethanol comes from corn, and it can be mixed with gasoline to produce a clean, efficient fuel. In low concentrations, ethanol can be used in any vehicle. And with minor modifications, vehicles can run on fuel blend that includes 85 percent ethanol and only 15 percent gasoline.

Like biodiesel, ethanol helps communities to meet clean air standards, farmers to find new markets for their products, and America to replace foreign crude oil with a renewable source grown right here in the nation's heartland. (Applause.) Together, ethanol and biodiesel present a tremendous opportunity to diversify our supply of fuel for cars and buses and trucks and heavy-duty vehicles.

A recent study by Oak Ridge National Laboratory projected that biofuels, such as ethanol and biodiesel, could provide about a fifth of America's transportation fuel within 25 years. And that would be good for our kids and our grandkids. (Applause.) So there are some things we can do to bring that prospect closer to reality. We have extended federal tax credits for ethanol through 2007, and last year I signed into law a 50-cent-per-gallon tax credit for producers of biodiesel. (Applause.)

There's ways government can help. Congress needs to get me a bill that continues to help diversify away from crude oil. (Applause.) My administration supports a flexible, cost-effective renewable fuel standard. Its proposal would require fuel producers to include a certain percentage of ethanol and biodiesel in their fuel. And to expand the potential of ethanol and biodiesel even more, I proposed \$84 million in my 2006 budget for ongoing research. (Applause.) I think it makes sense. I think it's a good use of taxpayers' money to continue to stay on the leading edge of change. And in this case, by staying on the leading edge of change, we become less dependent on foreign sources of oil. (Applause.)

My administration is also supporting another of America's most promising alternative fuels -- hydrogen. When hydrogen is used in a fuel cell, it can power a car that requires no gas and emit pure water instead of exhaust fumes. We've already dedicated \$1.2 billion to hydrogen fuel cell research. I've asked Congress for an additional \$500 million over five years to get hydrogen cars into the dealership lot. With a bold investment now, we can replace a hydrocarbon economy with a hydrogen economy, and make possible for today's children to take their driver's test in a completely pollution-free car. (Applause.)

As we make America less dependent on foreign oil, we're pursuing a comprehensive strategy to address other energy challenges facing our nation. Along with high gas prices, many families and small businesses are

confronting rising electricity bills. Summer air-conditioning costs are going to make it even more expensive for our homes and office buildings. To help consumers save on their power bills, we'll continue expanding efforts to conserve electricity. We're funding research into energy-efficient technologies for our homes, such as highly-efficient windows and appliances.

To ensure the electricity is delivered efficiently, Congress must make reliability standards for electric utilities mandatory, not optional. (Applause.) We've got modern interstate grids for our phone lines and highways. It is time to put practical law in place so we can have modern electricity grids, as well. (Applause.) All this modernization of our electricity grid is contained in the electricity title in the energy bill I submitted to the United States Congress.

To power our growing economy, we also need to generate more electricity. Electricity comes from three principal sources -- coal and natural gas and nuclear power. To ensure that electricity is affordable and reliable, America must improve our use of all three. Coal is our nation's most abundant energy resource, and it provides about half of your electricity here in Virginia. As a matter of fact, we got coal reserves that will last us for 250 more years. But coal presents an environmental challenge. We know that. So I've asked Congress to provide more than \$2 billion over 10 years for a coal research initiative, a program that will promote new technologies to remove virtually all pollutants from coal-fired power plants.

My Clear Skies Initiative will also result in tens of billions of dollars in clean coal investments by private companies. It will help communities across the state meet stricter air quality standards. To help Virginia clean your air and keep your coal, Congress needs to get the Clear Skills bill to my desk this year. (Applause.)

Improving our electricity supply also means making better use of natural gas. It's an important power source for our farmers and manufacturers and homeowners. We need to increase environmentally responsible production of natural gas from federal lands. To further increase our natural gas supply, Congress needs to make clear federal authority to choose sites for new receiving terminals for liquified natural gas. In other words, we're getting a lot of natural gas from overseas that gets liquified, and we got to be able to de-liquify it so we can get it into your homes. And we need more terminals, and Congress needs to give us the authority to site those terminals in order to get you more natural gas. (Applause.)

I don't know if you realize this, but here in Virginia, you get about a third of your electricity from nuclear energy. Yet America has not ordered a nuclear power plant since the 1970s. France, by contrast, has built 58 plants in the same period. And today, France gets more than 78 percent of its electricity from nuclear power. In order to make sure you get electricity at reasonable prices, and in order to make sure our air remains clean, it is time for us to start building some nuclear power plants in America. (Applause.)

Technology has made it so I can say to you I am confident we can build safe nuclear power plants for you. Last month I directed the Department of Energy to work with Congress to reduce uncertainty in the nuclear power plant licensing process. We're also working to provide other incentives to encourage new plant construction, such as federal insurance to protect the builders of the first four new plants against lawsuits and bureaucratic obstacles and other delays beyond their control. A secure energy future for this country must include safe and clean nuclear power.

Many of the initiatives I've discussed today -- and I recognize this is a comprehensive plan, but that's what we need in America; we need a comprehensive plan. And many of these initiatives are contained in the energy bill before the Congress. I want to thank the House for passing the energy bill last month. And now it's time for the United States Senate to act. (Applause.) You don't have to worry about George Allen. He'll take the lead.

(Applause.)

For the past four years, Americans have seen the cost of delaying a national energy policy. You've seen firsthand what it means when the nation's capital gets locked down with too much politics and not enough action on behalf of the American people. You've seen it through rising power bills; you've seen it through blackouts and high prices at the pump. Four years of debate is enough. It is time for the House and the Senate to come together and to get a good energy bill to my desk by August, and I'll sign it into law. (Applause.)

I've set big goals for our nation's energy policy, and I am confident our nation can meet those goals. Americans have a long history of overcoming problems through determination and through technology. Not long ago the prospect of running a car on fuel made from soybean oil seemed pretty unlikely. I imagine 30 years ago a politician saying, vote for me and I'll see to it that your car can run on soybean oil, wouldn't get very far. (Laughter.) Here we are, standing in front of a refinery that makes it. (Applause.)

We've got a lot of innovators in America, just like the folks here at Virginia BioDiesel. No doubt in my mind the innovative spirit of this country is going to make certain that our children and grandchildren will grow up in a more secure America, an America less dependent on foreign sources of oil. And the first place to start is for the United States Congress to pass that bill, based upon a comprehensive strategy that's going to work on behalf of this country.

I want to thank you for giving me a chance to come and share my thoughts with you. God bless you all. (Applause.)

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