

# The State of Minnesota



SEP 12 2005

August 29, 2005

Dear Petroleum Distributor:

On September 29, 2005, a state law will take effect requiring that diesel fuel sold or offered for sale in Minnesota must contain at least 2 percent biodiesel fuel oil by volume. We want to take a moment to share with you information about this requirement.

The law requires that diesel fuel delivered to an end user or retail outlet in Minnesota after September 29, 2005, must include a minimum of 2 percent biodiesel. Documentation, including the percentage of biodiesel content of the fuel, must be provided to the recipient for each shipment. This requirement does not apply to off-road taconite and copper mining equipment, railroad locomotives and motors located at nuclear power plants. Biodiesel is not required to be blended in fuel oil for heating purposes or used in turbine engines.

It is critical for trouble-free operation that the pure biodiesel meet the standard for fuel quality, ASTM D 6751, prior to being blended with diesel. Raw vegetable oils and animal fats are NOT considered biodiesel. They can cause deposits and engine damage and cannot be used to meet the B2 requirement.

Made from soybeans and other agricultural products, biodiesel is a clean-burning fuel that can help boost the state's economy, reduce our dependence on foreign oil and improve fuel lubricity. As you may know, Governor Pawlenty is a strong advocate for expanding the production and use of biodiesel in Minnesota because it offers many of the same environmental and economic benefits we have received from ethanol.

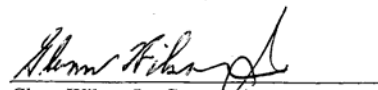
Our goal is to make this transition as smooth as possible for you and your customers. We want to make sure you have easy access to the information you need. Therefore, please keep the following information and that contained in the attached documents on hand as questions come up:

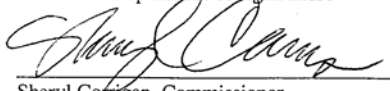
- If you blend biodiesel in un-dyed diesel fuel below the rack contact the Minnesota Department of Revenue at 651-296-0889.
- To blend biodiesel you must register with the IRS on a Form 637 which can be found on the website [www.irs.gov](http://www.irs.gov).
- You can download the Biodiesel Storage and Handling Guidelines by typing "biodiesel" in the search window at the National Renewable Energy Laboratory home page ([www.nrel.gov](http://www.nrel.gov)).

We have enclosed fact sheets for dealers and consumers explaining more details about biodiesel, this new requirement and providing additional contact information. Please share them with your customers as you see fit. Thank you for your cooperation as we make this transition.

Signed:

  
Gene Hugoson, Commissioner  
Minnesota Department of Agriculture

  
Glenn Wilson Jr., Commissioner  
Minnesota Department of Commerce

  
Sheryl Corrigan, Commissioner,  
Minnesota Pollution Control Agency



# The State of Minnesota

## 2% Biodiesel (B2) Program

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### Storage, Handling and Sale

#### What is biodiesel?

Biodiesel is a clean-burning alternative fuel made from domestic, renewable resources. In Minnesota it is made primarily from soybean oil, but it can also be made from other vegetable oils, recycled frying oils and animal fats. The term 'biodiesel' refers to the pure, unblended fuel and is referred to as B100. Before biodiesel is accepted into the fuel distribution system, it must meet strict quality standards to insure trouble free performance. Raw vegetable oils and animal fats are NOT biodiesel - they can cause deposits and engine damage and can not be used to meet Minnesota's new law.

Biodiesel contains no petroleum, but it can be blended with petroleum diesel in any percentage. Biodiesel blends from 2 percent to 20 percent are already used by hundreds of vehicle fleets, including the U.S. military, Yellowstone National Park, and various counties and cities in Minnesota and other states. B5 is a common blend in Europe and is being added at refineries and distributed through pipelines there.

#### What is the so-called "B2" requirement?

Starting September 29, 2005, Minnesota law requires that diesel fuel sold or held for sale in Minnesota contain at least 2 percent biodiesel. This "B2" blend consists of 98 percent diesel fuel and 2 percent biodiesel.

#### Why require B2?

This B2 requirement will help reduce Minnesota's dependence on imported oil and increase demand for Minnesota's agricultural products. B2 will add lubricity to new Ultra Low Sulfur Diesel (ULSD) fuel mandated by the United States Environmental Protection Agency in 2006, and this new ULSD will enable diesel technologies that are more than 90 percent cleaner than today's diesel engines.

#### Are there any exceptions to the B2 requirement?

The B2 requirement does not apply to motors located at an electrical generating plant regulated by the Nuclear Regulatory Commission, off-road taconite and copper mining equipment and railroad locomotives. Biodiesel is not required in fuel oil for heating purposes or for use in turbine engines.

#### How will the state verify compliance?

Bills of lading for diesel fuel shipments received by retail outlets or bulk users are required to show the biodiesel content of the product. The Weights and Measures Division of the Minnesota Department of Commerce will continue to inspect diesel product in the normal manner. Among the tests conducted will be one that determines biodiesel content of the fuel. If the required amount of biodiesel is not detected, documentation may be required to show that diesel fuel received after September 29, 2005, contained at least 2 percent biodiesel.

#### Are there any special handling requirements for B2?

Delivery, storage and dispensing equipment designed for use with conventional diesel is suitable for use with B2 and requires no changes or modifications. As with diesel fuel, good housekeeping habits will help ensure trouble free operation with B2. For example, it is recommended that diesel fuel be stored in a clean, dry, vessel and that high temperature conditions be avoided. Some diesel manufacturers suggest the use of a fuel stabilizer additive in diesel fuel stored for extended periods. If you or your customer would normally consider using a fuel stabilizing additive continue to do so. If special winter precautions such as additives or kerosene blending are normally

used with diesel they should be continued with B2. As with all diesel fuels, contact with copper, brass, lead, tin and zinc should be avoided. Continue to check for and remove water bottoms as they can lead to bacterial contamination, corrosion and the formation of deposits in all diesel fuels.

#### Will there be enough biodiesel to meet consumer demand?

B2 use statewide will require about 16 million gallons of pure biodiesel. Minnesota has three new biodiesel plants with a combined production capacity of at least 58 million gallons. This will make Minnesota the nation's leading biodiesel producer, and will ensure that we have more than enough biodiesel to meet demand well into the future.

#### Where can I go for more information?

Please keep the following contact numbers on hand for questions:

- For technical questions on biodiesel call The Biodiesel Helpline at 1-800-929-3437;
- For questions about state regulatory enforcement call the Minnesota Department of Commerce, Weights and Measures Division at 651-215-5821;
- For other questions call the Minnesota Department of Agriculture at 651-297-2223.

Other information can be found at the Minnesota Department of Agriculture web site [www.mda.state.mn.us](http://www.mda.state.mn.us).



# The State Of Minnesota

## 2% Biodiesel (B2) Program

### *Consumer Information*

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#### What is biodiesel?

Biodiesel is an alternative fuel made from domestic, renewable oils and fats. In Minnesota it is made primarily from soybean oil. Mixtures of biodiesel and petrodiesel are called "biodiesel blends," with B2 being 2 percent biodiesel, and B20 being 20 percent biodiesel. Biodiesel blends are already used by hundreds of vehicle fleets, including the U.S. military, Yellowstone National Park, NASA, and various Minnesota cities and counties.

#### What is the Minnesota B2 requirement?

In 2002, the legislature passed a law requiring that diesel fuel sold in Minnesota contain at least 2 percent biodiesel (B2). Implementation will occur on September 29, 2005. There are a few exceptions to the requirement, including railroad locomotives, off-road taconite and copper mining equipment and heating equipment.

#### Why is Minnesota interested in biodiesel?

Biodiesel will provide significant economic benefits to the state through reduced reliance on imported oil and increased demand for Minnesota-grown soybeans and other agricultural products. It can also benefit the state's natural resources and public health through a reduction in harmful vehicle emissions.

#### Will biodiesel affect vehicles?

One of the major benefits of B2 is that no engine or vehicle modifications are needed and B2 does not affect engine performance. According to the National Biodiesel Board, all known diesel engine makers with equipment in North America support the use of up to 5 percent biodiesel meeting national specifications.

#### How does biodiesel benefit the environment?

Biodiesel is non-toxic and biodegradable. Independent tests have shown that biodiesel reduces most harmful vehicle emissions. Using biodiesel in a conventional diesel engine reduces unburned hydrocarbons, carbon monoxide and particulate matter. Biodiesel exhaust also has a significantly less harmful impact on human health than exhaust from petroleum diesel fuel.

#### What economic benefits will biodiesel have for Minnesota?

One major contribution of biodiesel is that it helps reduce our reliance on foreign oil. According to the U.S. Energy Information Administration, America currently imports petroleum to meet about 62 percent of its needs. By 2025, it is projected that we will import 77 percent of our petroleum. Pair these supply concerns with a rapid increase in oil demand from emerging countries like China and India, and you have a recipe for continued sky-high prices. For our long-term economic stability, we must start breaking this unhealthy dependence, and Minnesota is showing the way by using more home-grown biodiesel.

Replacing petroleum with 2% biodiesel will also create over 900 jobs and add \$200 million to Minnesota's economy.

#### Where can I go for more information?

The Minnesota Department of Agriculture has set up a website with information about biodiesel, as well as links to other sources of information about the fuel. The website can be found at [www.mda.state.mn.us](http://www.mda.state.mn.us)