

Biodiesel: General Production Regulations in Wisconsin

The Department of Commerce

Storage Tank Regulation

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The biodiesel production process involves Class I flammables, corrosive chemicals, process tanks, and waste or extraneous by-product collection tanks. The regulatory requirement is that tanks be compatible with the product stored, but not specifically that they be stainless construction. Stainless is the most logical for the blending tank and since biodiesel has corrosive characteristics somewhat greater than diesel it is not a bad choice for storage and the waste product collection tank. The Class I flammable is methanol and the tank storing methanol must be built to UL 142 standards for a Class I flammable. A common practice currently used in biodiesel production is to use plastic IBC or totes for the methanol, but that is illegal as these containers are not listed for Class I liquids and do not have the proper safety mechanisms. Last fall a bio plant burned to the ground in Bakersfield, CA from a fire that originated from a static spark while transferring methanol into the tote. Comm 10 does not regulate process tanks, but since the process reaction involves heat, chemicals and a flammable liquid, the process tank needs to have adequate pressure relief and venting safeguards. One of the waste or by-products of the process is a glycerol product. The components of the glycerol product appears to vary with the process and the storage time and the consistency of the product varies from a liquid to gel. We are taking the position that this tank must be built to UL 142 standards for a Class I flammable liquid; the glycerol will have methanol in it and the flammable methanol vapors will migrate out of the glycerol product. The level of methanol/methanol vapors may vary, but last June a glycerol tank exploded at a biodiesel production facility in New York and killed a worker. In relation to manufacturing tanks for biodiesel processing, we will require that the tank be manufactured either to a national standard such as UL 142, UL 80, or API 650; or that the design be certified by a PE as providing equivalent or better fire and construction integrity. In relation to the production installation, the tank system must have the Comm 10 required plan submittal prior to the system being installed. The system installation must be supervised by a WI Certified Tank Installer or a PE.

The Department of Revenue

State Tax implications & Alternative Fuel License

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No person may act as an alternative fuels dealer unless the person holds a valid alternative fuels license and certificate. Except for alternative fuels delivered by an alternative fuels dealer into a fuel supply tank of any motor vehicle in the state, no person may use alternative fuels in Wisconsin unless the person holds a valid alternative fuels license issued by the DOA or unless the alternative fuel has been delivered by an authorized supplier. (Reference [Wisconsin Statutes 78.47](#))

The Department of Natural Resources

Air Permitting

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There is a page on the DNR website that will guide you through the types of permits you will need for a biodiesel production facilities. It can be found at:

<http://www.dnr.state.wi.us/permitprimer/>

The Department of Agriculture, Trade and Consumer Protection

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Will have information on fuel quality issues and ASTM standards.

Federal EPA Link and contacted for becoming a fuel manufacturer:

Entities are required to register with the EPA to become a producer of a fuel.

<http://www.epa.gov/otaq/regs/fuels/ffarsfrms.htm>

Incentives and Funding:

1) Federal VEETC Tax Credit

The American Jobs Creation Act of 2004 (JOBS Bill), signed into law in October of 2004, created the Volumetric Ethanol Excise Tax Credit (VEETC), which includes a tax credit for biodiesel. The Energy Policy Act of 2005 (H.R.6), extended the credit through December 31, 2008, and creates a similar tax credit for renewable diesel.

The volumetric excise tax credit for Agri-Biodiesel is \$1.00 per gallon. Agri-Biodiesel is defined as diesel fuel made from virgin oils derived from agricultural commodities and animal fats.

The volumetric excise tax credit for Biodiesel remains at 50 per gallon. Biodiesel is defined as diesel fuel made from agricultural products and animal fats.

The volumetric excise tax credit for Renewable Diesel is \$1.00 per gallon. Renewable diesel refers to diesel fuel derived from biomass using a thermal depolymerization process.

2) Federal Small Biodiesel Producer Tax Credit

H.R. 6 also created a new credit for small agri-biodiesel producers equal to 10 cents per gallon on the first 15 million gallons of agri-biodiesel produced at facilities with annual capacity not exceeding 60 million gallons. Historically, small *ethanol* producers were allowed

a similar credit. The tax credit is capped at \$1.5 million per year per producer and like the small ethanol producer credit can be passed through to the farmer owners of a cooperative and the credit is allowed to be offset against the alternative minimum tax (AMT). The credit sunsets December 31, 2008.

3) The Department of Commerce's Industrial Revenue Bond -- See <http://www.commerce.state.wi.us/BD/BD-IRB.html>

4) USDA Rural Development Business and Industry Guaranteed Loans Program -- See <http://www.rurdev.usda.gov/wi/programs/rbs/biguardd.htm>

5) Other programs, angel investors, venture capital groups can be found in the Got Moola booklet -- See http://www.datcp.state.wi.us/mktg/business/business_resources/pdf/Wisconsin_Business_Resources.pdf

Credits:

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