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**Testimony of Stephen J. Gatto
Before the Select Committee on Energy Independence & Global Warming
Chairman, Rep. Edward J. Markey, D-MA
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Mr. Chairman, Members of the Committee, thank you for inviting me here today. I applaud your leadership in recognizing the urgent need to change our energy paradigm. To the Chairman in particular, your leadership has inspired me over the last 15 years. When I would come to Washington in the mid 1990's to discuss ethanol, I was occasionally referred to as the village idiot, as gasoline was selling for less than \$1.30 per gallon and no one had ever heard of cellulose. The Chairman was one of the few Members who listened, and drove me to make a difference. I profoundly thank you.

Since then, I have had the privilege of serving on the Biomass Technical Advisory Board under Presidents Clinton and President Bush, and Congressional Committees helping to create the energy Policy Act - particularly the components on cellulose.

As the Chairman knows, I came to the ethanol industry somewhat circuitously. In the late 80's, some believed we were going to face a crisis with mounting pressures on landfills and a need to find a home for our ever expanding waste streams, so my cousin, an avid environmentalist took me to New Hampshire for a meeting on composting of municipal waste. As fate would have it, I was introduced to a technology from the

University of Florida, which just received Patent #5, 000, 000. It was a little organism that liked to eat sugars from all types of biomass and make ethanol.

I figured it had to be more profitable to convert waste into booze rather than dirt and launched what was one of the first cellulosic ethanol companies in the country.

BC International, which later became Celunol, and now Verenium proved the technology was viable after developing and operating 3 successful pilot plants. We arranged financing for what would have been the first commercial cellulosic demonstration based on sugar cane bagasse and rice hulls. 9-11, a change in administration, the deal fell apart, the industry set back a decade. Set back not because of a failure in technology, but the lack of incentives and moreover, a vision of what was to come.

Today, with oil pushing \$90 a barrel, the tragic loss of **so** many lives in the Middle East, and hydrocarbons fueling a climate crisis, we cannot afford another decade of delay.

My message is simple yet urgent – the ethanol industry is at a tipping point. We are on the brink of the next industrial revolution, on the verge of transforming our economy from a carbon-based society to a carbohydrate-based program with next generation biorefineries.

I would suggest, this is the year we either commit ourselves to an all out offensive to reduce our dependency on foreign oil, **to** stop funding radical countries that continue to do us harm, and **to** reduce our insatiable use of fossil fuels to stem our climate crisis.

I don't want to tell my grandchildren we failed because of a lack of will.

We need bold leadership to replace foreign oil with domestic production first from corn, then cellulosic feedstocks such as agricultural wastes and municipal waste. This effort is no different than the challenge issued in the 1960's by President Kennedy. He wanted to put a man on the moon; however, we did not attempt to do this all at once. We had a program, sparked by vision, propelled by leadership but grounded in phased, yet ambitious, milestones. We shot a rocket in the air, circled the earth, flew around the moon and finally, landed on the moon. It changed history forever. We need that kind of vision and commitment from you all today.

Let there be no doubt, the energy bill this year is **the** fight of **our** generation.

Clearly, with all the discussion of a glut, the biofuels industry has met the call to action, and surpassed the current RFS for all the right reasons – energy independence, global climate change, jobs and American prosperity. I believe the issue is not one of a glut but rather Big Oil's unwillingness to blend ethanol even when ethanol today is \$1.00/gallon cheaper. Let's face it – they control what goes in and what comes out of the pump.

The Question, and opportunity, is “What do we need to do to provide America with a self sustaining program that has an evolution with a beginning, middle and end.

Home grown fuels initially from corn, then biomass **which is** available from every region of this country. The Earth's ability to produce sugar from biomass is virtually unlimited. The story sounds too good to be true – but it is real, and has already contributed to an economic boom to this country as other sectors such as housing lag.

Today, I serve as Chairman and CEO of BioEnergy International, a science and technology leader in the development of multi-product biorefineries that will produce a wide range of biofuels and bio-based specialty chemicals. We just launched the first-of-its-kind research facility in Woburn, Massachusetts, after spending the better part of the last two years assembling a world renowned team and developing a strategic vision that is rooted in the integration of three specific initiatives – our 3 legged stool:

First, is the creation of a secure cash flow from traditional corn plants – one in Pennsylvania and the other in Louisiana – these are our cheap sugar platforms;

Second, is the use of BioEnergy's novel biocatalysts for the manufacture of green chemicals and biopolymers from the very same cheap sugar – this diversifies revenue;

Lastly, the integration of our cellulose technology - retrofitting existing and building future plants to drive down costs and move away from food based raw materials.

These three collective steps we believe are essential to ensure long-term financial success and continue to drive investments and interest in the sector.

I believe we are close to the day when a pound of sugar can replace a barrel of crude in the manufacture of everything from the fuel we put in our cars to the plastics and fabrics we use in our everyday lives. I am especially proud of the ethanol industry, and its extraordinary progress in the fight to reduce our nation's dependency on imported oil – from phasing out MTBE to surpassing the current RFS. A feat that many in the oil patch said could never happen.

Still, there is much work to be done and we must recognize corn has limitations. However, we must start with what works, focus on providing the tools and incentives to advance the next generation processes, and provide supportive markets for the growth of the industry. We do this and investment will follow – without this, no one will invest.

It's not perfect, but the status quo of oil, driving down environmental standards while driving up costs, is unacceptable and unsustainable. Nations around the world are clearly addicted to the same Oil and are competing for limited supplies. Prices **will** rise.

So let's be clear, if it is not ethanol today, it is oil and if we fail to create a robust market for our production then all attempts to move to the next generation of cellulosic ethanol will fail.

It is poetic justice that we at BioEnergy are launching our INDEPENDENCE ethanol project in north central PA, near Titusville where Edwin Drake ushered in the US petroleum industry with the first successful oil well that led to today's modern multi-cut refineries. At BioEnergy, we aim to integrate novel biocatalysts and cellulose technologies to usher in the first commercial biorefineries.

As a low cost sugar platform, traditional corn-based ethanol is the low hanging fruit. It gets biofuels into the consumer market now, strengthens existing systems, generates new jobs and revenues for Economic Patriotism. In Pennsylvania, BioEnergy is building one of the first integrated biorefineries with the extraordinary leadership of Governor Rendell and his Penn Secured Fuels Initiative – to manufacture one billion gallons of in-state production.

With an expanded RFS, we achieve energy independence, combat global warming and provide American jobs in communities throughout the country. The Bottom line is corn *has* and cellulosic technology *will* change the game forever and spur \$2-3 trillion in new investment.

Today, we not only have the **responsibility** to transition away from the fossil fuels – with ethanol – we have the **ability** to do so. Thus, the immediate challenge before us all is not to get bogged down in the incidental issues of first generation corn plants but to focus the real challenge to **this** committee and **all** of us – to wean ourselves from the perils of Oil as quickly as we can.

Thank you.