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Biodiesel heats up in Oregon
By Libby Tucker

Oregon's struggling home heating oil industry is warming up to biodiesel this winter, with the state's largest heating oil distributor announcing plans to offer the fuel to customers by the end of the month.

First Call Heating & Cooling, a Portland distributor, will join a handful of other distributors going green as a way to salvage sales and improve the companies' environmental reputations.

"Biodiesel is some of the best news we've had in years in our industry," First Call's president, Molly Brady, told a roomful of industry representatives from across the state last week.

After receiving a ton of interest in biodiesel from customers over the past year, Brady said, the company decided the fuel's market potential was too great to ignore.

The home heating oil industry has been hit hard by rising fuel costs and increasing competition from other heating sources.

Heating oil provided the main source of heat for 20 percent of American households in 1980, according to the Energy Information Administration's residential energy consumption survey. By 2001, that share had dropped to less than 8 percent as households made the switch from oil to natural gas or electricity to keep cozy.

"I can't wait until we start converting natural gas customers," Brady said. She's only half-joking but doesn't expect biodiesel to change the industry overnight.

If nothing else, she said, it would be good for (the industry) instead of continuing to lose market share, to not just stabilize but maybe gain some back.

Customers' desire fuels distributors' embrace

Biodiesel has received increased public attention in Oregon in the past three years. The state's reputation for environmental awareness has helped create a market for the renewable fuel, which is made from barley, soy and other crops, as well as waste grease from food service or processing industries.

Many city and state agencies have begun converting their transportation fleets to run on biodiesel. A state business energy tax credit has promoted biodiesel fueling and storage stations. And a recent legislative initiative to provide additional incentives to Oregon farmers received state House support before failing in the Senate.

By offering biodiesel, the heating oil industry plans to capitalize on the buzz.

“As a utility, the natural gas industry has such an advantage. It's easier for them to get the word out,” said Steve O'Toole, president of the Oregon Petroleum Association (OPA). “Biodiesel provides us with a green alternative and shows customers that we are looking at renewable resources. That makes heating oil an attractive alternative.”

Oregon has so far proved ripe for companies introducing biodiesel to their heating oil customers. An OPA survey conducted last year found that 70 percent of heating oil customers in Oregon were interested in purchasing biodiesel. And many home heating oil companies have already seen success in the state.

“When we decided we wanted to go ahead and tackle (the biodiesel market), we developed a letter and sent it to every one of our loyal customers. The response was overwhelming,” said Michael Schilling, general manager of Automatic Heat Co. in Eugene. “And you can imagine in such an environmentally conscious place like Eugene, it spread like wildfire. We get calls every day.”

In its pure form, biodiesel is biodegradable and nontoxic. Burning the fuel produces substantially lower emissions of harmful greenhouse gases and carcinogens compared to traditional petroleum- based fuels.

Few manufacturers recommend running their furnaces on pure biodiesel, however.

Heating oil companies instead offer B20, a petroleum blend that contains 20 percent biodiesel. B20 typically costs about 13 cents more per gallon than No. 2 diesel, which means households can expect to pay about a 5 percent premium for biodiesel.

But Oregon customers have proven willing to pay for biodiesel's low environmental profile, making the fuel a prime marketing tool for the state's heating oil industry.

“Think about how much you pay for a Yellow Page ad or a booth at a home show. You really work your ass off to get to a customer to talk about heating their home with oil. Biodiesel facilitates that discussion,” said Mark Fitz of StarOil Co. in Portland.

“What's better yet,” Fitz continued, “once somebody gets into biodiesel, it's like they discovered Jesus Christ for the first time. They can't stop talking about it.”