

knowledge of biodiesel fuel production, use, or distribution and the ability to conduct educational and technical support programs.

Award recipients may subcontract to organizations not eligible to apply provided such organizations are necessary for the conduct of the project.

D. Indirect Costs

For the Biodiesel Fuel Education Program, applicants should use the current indirect cost rate negotiated with the cognizant Federal negotiating agency. Indirect costs may not exceed the negotiated rate. If no indirect cost rate has been negotiated, a reasonable dollar amount for indirect costs may be requested, which will be subject to approval by USDA. In the latter case, if a proposal is recommended for funding, an indirect cost rate proposal must be submitted prior to award to support the amount of indirect costs requested. CSREES will request an indirect cost rate proposal and provide instructions, as necessary.

A proposer may elect not to charge indirect costs and, instead, charge only direct costs to grant funds. Grantees electing this alternative will not be allowed to charge, as direct costs, indirect costs that otherwise would be in the grantee's indirect cost pool under the applicable Office of Management and Budget cost principles. Grantees who request no indirect costs will not be permitted to revise their budgets at a later date to charge indirect costs to grant funds.

E. Matching Requirements

There are no matching funds requirements for the Biodiesel Fuel Education Program and matching resources will not be factored into the review process as evaluation criteria.

F. Types of Applications

The Biodiesel Fuel Education Program is a new program in FY 2003. All applications will be reviewed competitively using the selection process and evaluation criteria described in Part IV—Review Process.

Part II. Program Description

A. Project Types

OEPNU anticipates that \$920,000 will be available to fund Biodiesel Fuel Education Program grants in each of FYs 2003 through 2007. In FY 2003, OEPNU plans to award one or two continuation grants for an initial project period of one year. A continuation grant is a grant instrument by which the Department agrees to support a specified level of effort for a predetermined project period with a statement of intention to provide

additional support at a future date, provided that performance has been satisfactory, appropriations are available for this purpose, and continued support would be in the best interest of the Federal government and the public. If these three elements are met, OEPNU plans to provide additional support to the funded project(s) in each of FYs 2004 through 2007.

Project budgets may not exceed \$920,000 per year. Project periods may range between three (3) and five (5) years.

B. Program Description

Biodiesel can be made from various agricultural feedstocks, including oil crops like soybeans, canola, and sunflowers, and animal fats, such as lard and tallow, and potentially from wood and wood wastes. Recycled vegetable oils and animal fats, such as yellow grease, are also used to make biodiesel. Biodiesel can be used in most diesel engines with only minor modifications. It can be used as a neat fuel (100 percent) or blended with petroleum diesel in various proportions. The most common blend is B20, a blend of 20 percent biodiesel and 80 percent petroleum diesel. Biodiesel is also used as a fuel additive by blending it with diesel fuel at a low level (5 percent or less), which increases fuel lubricity.

Currently there are a small number of biodiesel producers in the United States. They make biodiesel primarily from soybean oil or yellow grease and usually sell it as B20. Motor vehicle fleets such as school buses, urban buses, and government motor pools are the primary users of B20. The price of B20 varies significantly, depending on differences in feedstock costs and transportation cost, *i.e.*, distance from supplier to the customer. Blending biodiesel with petroleum diesel increases the cost of diesel fuel; however, some fleet operators are encouraged to pay a premium price for B20 by Federal and State program incentives, such as the Energy Policy Act of 1992 (EPA) (Pub. L. 102-486), that promote alternative fuel use in the United States. The current demand for biodiesel is small; however, it has been increasing in the past few years and an infrastructure for marketing and distributing biodiesel is beginning to emerge.

Biodiesel has many environmental, health and economic benefits. It is biodegradable and reduces air toxics and cancer causing compounds and can be considered to be an environmentally preferable fuel. Burning biodiesel and biodiesel blends reduces most forms of air pollution, including sulfur dioxide

(SO_x), carbon monoxide, and particulate matter, however, it increases emissions of nitrogen oxides (NO_x). Because biodiesel is made from renewable sources, significant reductions in carbon dioxide can be realized when the life-cycle (planting, growing, harvesting, and processing) of producing oil crops (*e.g.*, soybeans) is used in comparing B20 to petroleum diesel. Atmospheric carbon dioxide increases are implicated in greenhouse warming, which has become a major concern for world leaders. Renewable fuels like biodiesel also have favorable energy balances compared to non-renewable petroleum fuels. Reducing the demand for petroleum diesel can reduce foreign imports and favorably influence the USA balance of trade. Increasing biodiesel production will increase the demand for farm commodities, which in turn will raise farm prices and net farm income, and lower government program payments. The development of a biodiesel industry would increase employment and stimulate economic growth in rural areas.

The goals of the Biodiesel Fuel Education Program are to stimulate biodiesel consumption and to stimulate the development of a biodiesel infrastructure. Successful projects will develop practical indicators or milestones to measure their progress towards achieving the following objectives:

1. Enhance current efforts to collect and disseminate biodiesel information;
2. Coordinate with other biodiesel educational or promotional programs, and with Federal, State and local programs aimed at encouraging biodiesel use, including the EPA Act program;
3. Create a nationwide networking system that delivers biodiesel information to targeted audiences, including users, distributors and other infrastructure-related personnel;
4. Identify and document the benefits of biodiesel (*e.g.*, lifecycle costing); and
5. Gather data pertaining to information gaps and develop strategies to address the gaps.

Part III. Preparation of an Application

A. Program Application Materials

Program application materials are available at the CSREES Funding Opportunities Web site (<http://www.reeusda.gov/1700/funding/ourfund.htm>). If you do not have access to the web page or have trouble downloading material and you would like a hard copy, you may contact the Proposal Services Unit, Competitive Programs, USDA/CSREES at (202) 401-