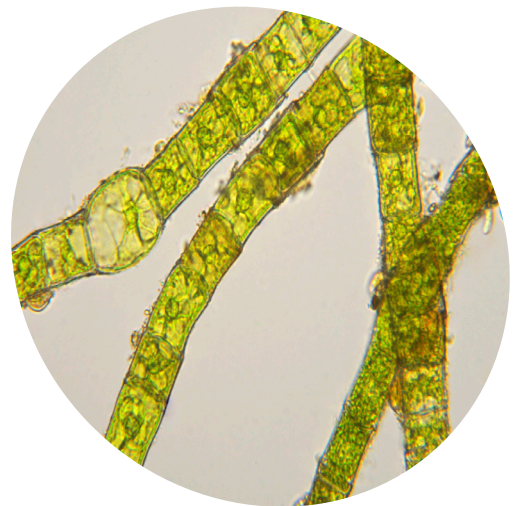




YEAR IN REVIEW
OCTOBER 2009



Letter from the Executive Director



Interest in algae is growing.

It's been an exciting and eventful last twelve months for the Algal Biomass Organization and the algal biomass industry as a whole. While many challenges remain, significant progress has been made toward the commercialization of renewable and sustainable commodities made from algae, which has in turn helped to raise overall awareness of the Algal Biomass Organization and our industry. Our goal for the next twelve months is to build on this existing foundation and continue to overcome the remaining barriers to widespread commercialization and market development.

During the past year, membership in the ABO grew significantly, with the latter half of the organizational year having seen especially robust membership growth with the addition of 108 new members. In keeping with the ABO's commitment to developing a membership base both up and down the value chain, our more than 170 members represent a wide variety of industries, organizations, and companies. ABO members have joined together to help support and further the industry and ensure that algal biomass be recognized as a vital resource for clean and renewable energy and other products ranging from specialty chemicals to petfood.

Along with broadening and strengthening our membership base, in the past year the ABO has also continued to develop our organizational leadership by increasing our Board of Directors. In addition to the re-election of Dr. Philip Pienkos, a founding board member of ABO and supervisor of the Applied Biology Group at the National Renewable Energy Laboratory, the past year saw the election of four new board members:

- Dr. Ira "Ike" Levine, Associate Professor, University of Southern Maine and Vice President, Biological Services, Inc;
- Dr. Margaret McCormick, General Manager, Bio-based Materials Program, Targeted Growth, Inc.;
- John Pierce, Member, Wilson Sonsini Goodrich & Rosati; one of the leaders of its Renewable Energy and CleanTech Practice; catalyst for the formation of the ABO;
- Elizabeth Willett, Business Development and Commercial Manager, Mars Symbioscience, a division of Mars, Inc.

Representing our membership base, the board includes representatives from academia, consulting services, technology and project development, and end-users.

Just recently, the board moved to expand its maximum level of 15 in order to better reflect the producer community involved with ABO. The four new board members who will begin their terms in October 2009, include:

- Harrison Dillon, President and CTO, Solazyme Inc.;
- Dave Jones, Chief Operating Officer, LiveFuels Inc.;
- Jason Pyle, M.D., Ph.D., CEO of Sapphire Energy;
- Robert Walsh III, CEO, Aurora Biofuels.

In the past year the ABO and several of its member companies have been actively involved in helping to shape legislation affecting our industry.

Although numerous policy challenges remain, it is clear that there currently is a more positive legislative and political environment – one that bodes well for the future of the algae industry (For more, please see "Public Policy" section).

Fortunately, policymakers and our elected officials aren't the only ones increasingly paying attention to the promise of algal biomass. Among companies, scientists, and the broader public, interest in algae as a resource for renewable energy continues to grow. Technological advances in the production of algal biomass combined with hundreds of millions of dollars invested this year in research and production have brought the industry closer to commercialization and cost-efficient production of algal biomass.

During the past year the ABO sponsored a number of events aimed at bringing together a wide range of ABO members and key stakeholders in the algal biomass industry. In April 2009, ABO held its first-ever annual meeting in Washington, D.C. The two day event featured networking receptions, committee reports, a board meeting, and an engaging "field trip" to Capitol Hill to meet with policy makers and elected officials. In October 2008, the ABO helped organize the second-annual Algae Biomass Summit. We are confident that this year's Algae Biomass Summit in San Diego will prove to be the most successful yet, including dozens of presentations on technical, policy and business topics, a sold-out trade show and more than 45 poster presentations, as well as an exciting tour to the Imperial Valley in California to see algae demonstration projects.

In addition to the ABO's governmental policy efforts, the ABO's public relations strategy has resulted in more than 80 articles this year with quotes from key ABO board members, staff and stakeholders in several prominent publications, including the New York Times, the Boston Globe, the Seattle Times, the San Francisco Chronicle, the International Herald Tribune, and Forbes, as well as Fox News and MSNBC – representing an audience of more than two million people globally. In addition, publicity efforts have helped drive traffic to the ABO website. We have had more than 30,000 unique visitors from various countries including the U.S., Canada, the U.K., Germany and India.

Finally, earlier this year ABO hit another milestone – the hiring of its first full-time executive director. It has been a privilege to serve the ABO in this new role, and I look forward to working with all of you as we build on the foundation of the past year and help move the ABO and the industry forward.

Sincerely,

Mary Rosenthal, Executive Director
Algal Biomass Organization



Public Policy Report

As a trade association, ABO and its committee members have worked hard to help shape legislation that helps accelerate the commercialization of algal biomass-based energy products. What a year it has been! We've seen tremendous movement on the Hill in terms of not only awareness of algae, but also specific legislation being introduced to help foster an environment for success.



At the beginning of the year, the Government and Public Relations committee identified a few key policy goals for the year, which included:

1. Financial parity: Algae must receive the same tax incentives, subsidies and other financial benefits currently accorded other "incumbent" feed stocks such as soy for biodiesel and starch or cellulosic material for ethanol, and
2. Regulatory parity: Algae must be recognized as an effective carbon reduction strategy and safe for commercial production under the same regulations governing other traditional renewable fuel feedstocks

To achieve these goals, ABO and its member companies have dedicated significant time and effort to engage with policymakers, educate them on issues important to our industry, and propose specific initiatives and legislation to help advance our industry.

"ABO and member companies have had direct involvement with legislation affecting the algae industry"

In December 2008, ABO members met with Jason Grumet, a key advisor to President-elect Obama's transition team and an expert in energy and climate policy, and advised him on the importance of algal biomass as a renewable fuel and energy source.

In April, 2009, members who attended the ABO Annual Meeting spent an afternoon on Capitol Hill meeting with elected officials and policymakers, educating them on the various technologies and opportunities for algal biomass-based fuels.

This summer, the ABO also provided input and comments to the Department of Energy's (DOE) National Algal Biofuels Technology Roadmap, encouraging the DOE to provide a clear vision for its plans for algae-based fuels and energy, promote public-private partnerships to accelerate commercialization, promote federally supported research goals, and provide algae financial and regulatory parity with regard to other feedstocks. In addition, several ABO members testified in meetings held in Washington, D.C. related to the roadmap.

Our advocacy, outreach, events and member efforts have greatly enhanced the prospects for the industry in several pieces of legislation, including:

1. Senate Bill 1250 – Renewable Fuels Act of 2009: Sponsored by Sen. Bill Nelson (D-FL), this bill aims to expand the definition of cellulosic biofuel to include algae-based biofuels and would cover them under the cellulosic biofuel producer credit and under the special allowances for cellulosic biofuel plant property. ABO members and board representatives provided counsel and support for this bill.
2. House Bill 3460: Sponsored by Rep. Brian Bilbray (R-CA), this bill would amend the Clean Air Act to include algae-based biofuel in the Renewable Fuel Standard and to include algae-based biofuel in the cellulosic biofuel producer credit. ABO members and board representatives provided counsel and support for this bill.
3. House Bill 2454 – American Clean Energy and Security Act of 2009 (ACES): The comprehensive climate bill – generally known as the "cap-and-trade" bill – has passed the House and will be taken up by the Senate this fall. Importantly, the bill includes algae in its definition of "renewable biomass" and also has a number of provisions promoting the capacity of biological resources in the United States to produce biomass, store carbon, and reduce emissions as part of an overall climate change mitigation strategy.



Although the ABO did not formally advise elected officials and policymakers as they crafted ACES legislation, it is clear that it will present significant opportunities for algae producers, and the ABO will continue to monitor the progress of the legislation in the Senate.

Finally, our industry stands to benefit from other legislative opportunities, including millions of dollars in funding available through the DOE Biorefinery Assistance Program as well as the \$50 million allocated by President Obama for an algae consortium in the American Recovery and Reinvestment Act of 2009.

We expect the pace and the depth of legislation impacting our industry will increase this fall and into 2010. Our great committee that continues to work hard on behalf of members and the industry, and we look forward to being able to report additional gains in the coming months.

Board of Directors Members and Committee Chairs

2009 Board of Directors

Mr. Billy Glover, Chairperson - Boeing Commercial Airplanes
Mr. Thomas Byrne, Secretary - Byrne & Company, Ltd.
Mr. Mark Allen P.E. - A2BE Carbon Capture LLC
Dr. John Benemann - Benemann Associates
Dr. Keith Cooksey - Montana State University
Dr. Ira "Ike" Levine - University of Southern Maine
Dr. Greg Mitchell - Scripps Institution of Oceanography
Dr. Philip Pienkos - National Renewable Energy Labs
Mr. John Pierce - Wilson Sonsini Goodrich & Rosati, P.S.
Dr. Margaret McCormick - Targeted Growth, Inc.
Ms. Elizabeth Willett - Mars Symbioscience

Committee Chairs

Mr. Thomas Byrne, Byrne & Company Ltd.
Chair, Events Committee
Mr. Mark Allen, A2BE Carbon Capture LLC
Chair, Membership Development Committee
Chair, Bylaw & Governance Committee
Mr. Dale Smith, Boeing Commercial Airplanes
Chair, Government & Public Relations Committee
Mr. Jim Sears, A2BE Carbon Capture LLC
Chair, Technical Standards Committee
Ms. Elizabeth Willett, Mars Symbioscience
Chair, Director Recruitment Committee
Dr. Keith Cooksey, Montana State University
Chair, Peer Review Committee

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General Atomics
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Harris Group Inc.
International Air Transport Association
Kent Bioenergy
Kuraray
LiveFuels
Martek Corporation
Mortenson Construction
MTU Aero Engines

Neste Oil
Origin Oil
PetroAlgae
Philadelphia Renewable Energy
Renewable Energy Group, Inc.
Renewed World Energies
Sapphire Energy
Siemens Industry
Solazyme
Stoel Rives LLP
Synthetic Genomics
Targeted Growth, Inc.
US Biofuels
Waste Management

Supporting Organizations

Biotechnology Industry Association

Phycological Society of America

We are happy to answer any questions or provide more information on the Algal Biomass Organization.

Please contact Mary Rosenthal at mrosenthal@algalbiomass.org or visit our website: www.algalbiomass.org

* Members as of 10/1/2009

