



Bion Announces Publication of a Nutrient Trading Policy Document in Response to EPA Draft Chesapeake Bay TMDL

September 29, 2010. New York, New York. Bion Environmental Technologies, Inc. announced today that it has published a policy memorandum titled “Nutrient Trading --The Missed Opportunity”. The document is available on the Company’s website at:
<http://bionpa.com/docs/Nutrient%20Trading%20&%20Cost%20Containment-Sept%202010.pdf>.

This memorandum demonstrates that the Susquehanna watershed is unique in several critical ways:

- Its excess nitrogen loading derives primarily from livestock waste rather than human activity; and
- The failure of the EPA Chesapeake Bay (CB) model to more precisely quantify and allocate nitrogen loadings from livestock agriculture has created an unnecessary and unsustainable financial cost to ratepayers and taxpayers by misdirecting remediation efforts.

The negative financial impact to the taxpayer is a result of an enormous amount of airborne ammonia nitrogen from livestock waste being improperly allocated to downstream sources, such as storm water --generally the most expensive channel from which to remediate nitrogen. Airborne ammonia nitrogen from livestock waste represents approximately 50% (and in many instances more) of the total nitrogen generated by livestock in the Susquehanna watershed, most of which redeposits to land and waters within the Chesapeake Bay watershed. Adding nitrogen volatilized as ammonia to the nitrogen contained in land applied livestock waste results in total livestock nitrogen produced in the Susquehanna watershed in the range of 300-350 million pounds annually. For perspective, PA’s entire mandate for nitrogen reduction by 2025 is less than 30 million pounds. However, the source of this nitrogen load related to livestock is fragmented, misunderstood and essentially unregulated, resulting in livestock playing a secondary role at best in nitrogen reduction plans.

The bottom line is simple: livestock is the single largest source of nitrogen in the Susquehanna watershed, as opposed to the predominance of nitrogen from human activities in Baltimore or Washington, DC. For this reason, a solution designed to work in Baltimore or Washington, DC simply cannot be either cost or environmentally effective when applied to the Susquehanna watershed. In addition, allocation errors of livestock-sourced nitrogen in the EPA’s Chesapeake Bay watershed model (i.e. underestimating the contribution of ammonia nitrogen from farm animals to regional atmospheric deposition) focuses resources on downstream solutions rather than at the primary source. As a consequence, the ongoing impacts from livestock nutrient loading to the local environment will remain largely unaddressed.

EPA's proposed approach to solving the Bay's nutrient loading problems, based upon its current model, imposes a very large, unsustainable and unnecessary financial burden on taxpayers within the Susquehanna watershed and Pennsylvania. The answer does not lie in greater regulation of the fragmented livestock industry as proposed by EPA in their draft TMDL standard released last week; nor can a cost effective solution be achieved by allocating livestock nitrogen to storm water and then requiring the Commonwealth to fund the resulting expensive solution.

Bion and others are presently developing projects that will provide verified nitrogen reductions from livestock agriculture that could be used initially in lieu of proposed mandated storm water nitrogen reductions which would significantly reduce the cost to taxpayers and ratepayers. Bion estimates that its initial projects at Kreider Farms will produce more than 1.5 million pounds of verified nitrogen credits to the Bay at prices ranging between \$8-\$11 per credit, depending upon terms and duration of the contracts. Additionally, these projects will create substantial reductions of greenhouse gases as well as generate renewable energy from the carbon contained in the waste streams. They will also produce reductions in local nitrogen, phosphorous, pathogens and odors, among other supplemental environmental benefits, that will be enjoyed by the local communities at no additional cost.

As discussed in Bion's policy memorandum, policy modifications that reduce risk absent environmental backsliding will favorably impact both credit buyers and sellers. Bion's policy memo focuses on the key issues that need to be addressed so that both the credit generators and local authorities can capture these economic and environmental benefits on behalf of the tax- and rate-payers with no environmental backsliding. Some of the proposals supported by Bion are presently under consideration in federal legislation related to the Chesapeake Bay.

The livestock industry in the Susquehanna watershed is operating legally, yet their legal environmental impacts on the Chesapeake Bay are unsustainable. Mandating costly downstream reductions that are unaffordable and continue to ignore the true source and effect of these impacts on the local community is not the solution. Bion's policy memorandum provides a pathway forward that focuses on government tools that enable the industry to achieve the mandated reductions voluntarily, in a manner that will be cost effective for the tax- and rate-payers.

The PA DEP is to be commended for its leadership in recognizing that airborne livestock nitrogen is a significant contributor to loading in the environment, and for enabling technology providers, such as Bion, to receive credits for those reductions based upon approved nutrient reduction verification plans. The PA DEP has correctly understood that the nitrogen sources and loadings in the Susquehanna watershed are very different from the cities of Baltimore or Washington, DC, and require an appropriately modified solution.

Lastly, the EPA approach to the Chesapeake Bay is a model for other major basins suffering from hypoxia, such as the Mississippi River basin where excess nitrogen loadings are estimated to be more than ten times that of the Chesapeake Bay. Livestock waste is a major source of nutrients in the Mississippi River Basin, as well. It is therefore critical that the EPA adjust its model to more accurately account for animal-derived airborne nitrogen and develop the most effective remediation policies for the Chesapeake Bay now, in order to avoid greatly multiplying its costly policy errors when replicated elsewhere. It is important that accurate, science-based models developed in the CB

drive low cost solutions, as the nation can ill afford to emulate an approach that will increase remediation costs by tens of billions of dollars, especially at a time when basic services are being cut in these very same communities.

Bion will be providing comments to the Pennsylvania draft Watershed Implementation Plan at a later date.

About Bion: Bion Environmental Technologies has provided environmental treatment solutions to the agriculture and livestock industry since 1990. Bion's patented next-generation technology provides a unique comprehensive treatment of livestock waste that achieves substantial reductions in nitrogen and phosphorus, ammonia, greenhouse and other gases, as well as pathogens, hormones, herbicides and pesticides. Bion's process simultaneously recovers cellulosic biomass from the waste stream to produce renewable energy.

Bion's technology enables development of large scale livestock facilities in strategic locations that provide greater efficiencies and dramatically reduced transportation costs but were previously impracticable due to their environmental impact. These environmentally-responsible, large scale facilities can be integrated with existing or new food processing and renewable energy production operations to substantially reduce risk and improve the economics of all partners. For more information, see Bion's website: www.biontech.com.

This material includes forward-looking statements based on management's current reasonable business expectations. In this document, the word 'expect', 'will', 'proposed' and similar expressions identify certain forward-looking statements. These statements are made in reliance on the Private Securities Litigation Reform Act, Section 27A of the Securities act of 1933, as amended. There are numerous risks and uncertainties that could result in actual results differing materially from expected outcomes.

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