

The 2008 Farm Bill: What's New in the Energy Title?

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EESI: *Advancing Innovative Solutions!*



- Developing innovative policies for a sustainable society:
 - Climate protection
 - Energy efficiency
 - Renewable energy
 - Smart growth and transportation
 - Sustainable biomass from forestry and agriculture
 - High-performance buildings

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- Founded in 1984, by a bipartisan Congressional caucus
- Organizes 20-30 Congressional briefings each year
- Publishes 3 electronic newsletters
 - *Bioenergy, Climate Protection & Oil Reduction*
 - *Climate Change News*
 - *Clean Motion*
- EESI Associates Program

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State Energy Officials Have Crucial Role

- Assess and facilitate development of renewable resource base
- Partner with other state and federal agencies
- Connect businesses and state and local institutions to federal programs and resources

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Food, Conservation, and Energy Act of 2008 (P.L. 110-246)

Title IX continues programs and expands funding to develop rural America's renewable energy resources

- Federal procurement of biobased products (Sect. 9002)
- Construction and development of advanced biofuel refineries (Sections 9003 and 9005)
- Biodiesel education (Sect. 9006)
- Renewable energy systems and energy efficiency improvements (Sect. 9007)
- Biomass research and development (Sect. 9008)

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Food, Conservation, and Energy Act of 2008 (P.L. 110-246) (cont.)

Title IX of the 2008 farm bill also establishes new programs that encourage

- Renewable energy use by existing biorefineries (Sect. 9004)
- Rural energy self-sufficiency (Sect. 9009)
- Development of next generation biofuel feedstocks (Sect. 9011)
- Use of forest and woody biomass for energy production (Sections 9012 and 9013)



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Food, Conservation, and Energy Act of 2008

(P.L. 110-246) (cont.)

- Provides more than \$1 billion in mandatory funding for related programs through 2012
- Authorizes more than \$1 billion more, pending annual Congressional appropriations

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Section 9002: Biobased Market Program

(renamed, renewed)

- Provides for federal procurement program and voluntary labeling program for biobased products.
- Administered through Commodity Credit Corporation (CCC)
- Provides \$2 million per year, FY 2009 – FY 2012.
- Authorizes additional \$2 million per year, FY 2009 - FY 2012.

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Section 9003: Biorefinery Assistance Program

(renewed, expanded)

- Loan guarantees for the development, construction and retrofitting of commercial-scale biorefineries to convert renewable biomass into advanced biofuels
- Loan guarantees may not exceed 80% of project costs
- Competitive grants to help pay for the development and construction costs of demonstration-scale biorefineries.
- Grants may not exceed 30% of the project cost.

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Biorefinery Assistance Program (cont.)

- Administered through CCC
- Provides \$75 million mandatory funding in FY 2009 for commercial-scale biorefinery loan guarantees and \$245 million in FY 2010 (not for grants).
- Authorizes additional \$150 million per year, FY 2009 - FY 2012, for both demonstration- and commercial scale biorefineries.
- NOFA (loan guarantees only) and proposed rulemaking released in November 2008. Applications for 2nd round of loan guarantees are due March 1 - April 30, 2009.

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Section 9004: Repowering Assistance

(new in 2008)

- Provides for payments to previously existing biorefineries (prior to May 2008) to replace fossil fuels with renewable biomass to produce heat or power for biorefinery operations.
- Administered through CCC.
- Provides \$35 million mandatory funding for FY 2009 that will remain available until the funds are exhausted.
- Authorizes additional \$15 million per year, FY 2009 - 2012.

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Section 9005: Bioenergy Program for Advanced Biofuels


(renamed, renewed, expanded)

- Provides payments to eligible agricultural producers to increase production of advanced biofuels
- Administered through CCC
- Provides mandatory funding through CCC
 - \$55 million, FY 2009 and FY 2010
 - \$85 million, FY 2011
 - \$105 million, FY 2012
- Authorizes additional \$25 million per year, FY 2009 - 2012
- No more than 5% of funds appropriated annually may go to facilities that produce more than 150 million gallons per year

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Section 9006: Biodiesel Fuel Education Program (renewed)

- Competitive grants to educate public and private sector operators of vehicle fleets and the general public about the benefits of using biodiesel fuel
- Administered through CCC
- Provides \$1 million per year, FY 2009 - FY 2012


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Section 9007: Rural Energy for America Program (REAP) (renamed, renewed, expanded)

- Formerly “Renewable Energy Systems and Energy Efficiency Improvements Program” (Sect. 9006)
- Competitive grants and loan guarantee program for
 - energy audits
 - feasibility studies
 - project development of renewable energy systems and energy efficiency improvements


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REAP (cont.)

- Under the program's 2008 expansion,
 - Tidal, wave, ocean thermal, and hydroelectric technologies will become eligible
 - Qualified third parties may apply for grants to provide energy audits and renewable energy assistance to ag producers and rural small businesses
 - Loan guarantee limits are increased up to \$25 million
 - No less than 20% of funds will be set aside for small grants of less than \$20,000
 - Mandatory and discretionary funding levels are increased

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REAP (cont.)

Energy audits and renewable energy assistance

- State, tribal, local governments, institutions of higher education, rural electric cooperatives or public power entities may apply for grants to provide these services to ag producers and rural small businesses
- Agricultural producers and rural small businesses must pay at least 25% of the cost of an energy audit or other assistance provided by a grant recipient.

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REAP (cont.)


Loan guarantees and grants to ag producers and rural small businesses for energy efficiency improvements and renewable energy systems

- Grants may not exceed 25% of the project cost.
- Loan guarantees are capped at \$25 million per loan.
- Combination of grant and loan guarantees may not exceed 75% of total project cost.



REAP (cont.)


- Administered through CCC
- Provides mandatory funding of
 - \$55 million, FY 2009 (up from \$36 million in FY 2008)
 - \$60 million, FY 2010
 - \$70 million, FY 2011 and FY 2012
- Authorizes additional \$25 million per year, FY 2009 – FY 2012



REAP (cont.)

- Project proposals are scored and ranked nationally and awarded based upon merits (i.e., funds are not set aside according to any state formula or percent).
- In recent years, demand for REAP grants has exceeded available funds.
- In FY 2007, \$10.8 million in grants were awarded to 302 projects in 35 states from more than 729 applications.
- In FY 2007, more than half of the 1067 grant projects in the program's continuing caseload were located in just 3 states: Nebraska, Iowa, and Minnesota

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REAP (cont.)

- USDA has not yet released FY 2009 funding guidelines.
- Proposed changes to the grant program for FY 2010 were published and open for comment 10/15/08
- Comment period closed 12/15/08
- Proposed changes to the loan program were published September 14, 2007 and are still pending.

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REAP (Cont.)


Continuing concerns about how USDA will implement program

- Will the application process be streamlined?
- Will USDA provide adequate funds for feasibility studies?
- Will non-rural agricultural producers be eligible?
- Will USDA publicize funding announcements adequately to broaden participation?
- Should applicants for large grants (>\$50,000) be required to first apply for loan guarantees?
- Will USDA discriminate against larger projects and projects receiving other public funding?



REAP (cont.)

- REAP is just the kind of “shovel-ready” program that can help jump start rural economies.
- EESI, NASEO, and a broad coalition of organizations asked Congress for an additional \$250 million for REAP as part of the economic stimulus package and an additional \$250 million for this program as part of the regular appropriations cycle for FY 2009.
- So far, however, no new funds have been included in the economic recovery legislation.



REAP (cont.)


For detailed comments on the USDA proposed rule, go to

http://www.farmenergy.org/documents/ELPC_FINAL_REAP_Comments_12-15-08.pdf

For a listing of state USDA Rural Development Energy Coordinator Contacts, go to

<http://www.rurdev.usda.gov/rbs/farbill/index.html>

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Section 9008: Biomass Research and Development Initiative (extended)

- Provides competitive grants, contracts and financial assistance to carry out research, development and demonstration of biomass feedstocks, biofuels, and biobased products
- Administered through CCC
- Provides mandatory funding of
 - \$20 million, FY 2009
 - \$28 million, FY 2010
 - \$30 million, FY 2011
 - \$40 million, FY 2012
- Authorizes additional \$35 million per year, FY 2009 – FY 2012

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Biomass Research and Development Initiative (cont.)

- Awards range from \$1 - \$5 million
- Who may apply? Colleges and universities, federal and state research agencies, private sector, non-profits.
- R&D projects require 20% minimum cost share
- Demonstration projects require 50% minimum cost share
- Funding Opportunity Announcement just released 1/30/09
- Pre-applications due 3/6/09

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Section 9009: Rural Energy Self-Sufficiency Initiative (new)

- Provides grants to enable rural communities to substantially increase their energy self-sufficiency
- Grants may be used for energy assessments, developing plans to reduce conventional energy use, and installing integrated, community-wide renewable energy systems
- Grants limited to 50% of total project cost.
- Authorizes \$5 million per year, FY 2009 - FY 2012.

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Section 9010: Feedstock Flexibility Program for Bioenergy Producers

- Subsidizes the use of sugar for ethanol production through federal purchases of surplus sugar for sale to ethanol producers
- Funds to be provided in sufficient amounts to carry out this program
- Funded through CCC

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Section 9011: Biomass Crop Assistance Program

- Provides support to establish and produce crops for conversion to bioenergy in project areas, and to help with collection, harvest, storage and transportation of eligible material for use in a biomass conversion facility.
- Provides
 - Payments for up to 75% of the cost of establishing an eligible crop
 - Annual payments to support production
 - Matching payments of up to \$45 per ton for 2 years for collection, harvest, storage, and transportation to a biomass conversion facility

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Biomass Crop Assistance Program (cont.)

- Contract terms are up to 5 years for annual and perennial crops and up to 15 years for woody biomass
- Producer must adhere to specified conservation practices
- The program will be implemented by the Farm Service Agency with support from other federal and local agencies with funding through CCC
- USDA has determined that program requires a programmatic Environmental Impact Study under NEPA. 1-2 year delay likely.

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***Section 9012: Forest Biomass for Energy* (new)**

- Administered by U.S. Forest Service
- Authorizes comprehensive research and development program to use forest biomass for energy
- U.S. Forest Service, other federal agencies, state and local governments, Indian tribes, land-grant colleges and universities, and private entities are eligible to compete for program funds
- Authorizes \$15 million per year, FY 2009 – FY2012

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Section 9013: Community Wood Energy Program

- Modeled after the successful US Forest Service fuel for schools program
- Administered by the U.S. Forest Service
- Provides grants to state and local governments to develop community wood energy plans and to acquire or upgrade wood energy systems
- Authorizes \$5 million per year, FY 2009 - FY 2012.



Tax Provisions in the Farm Bill

- Establishes \$1.01/gallon production tax credit for cellulosic biomass alcohol through 2012
- Reduces Volumetric Ethanol Excise Tax Credit from \$0.51 to \$0.46/gallon beginning in the first calendar year in which 7.5 billion gallons of ethanol is produced
- Extends the \$0.54/gallon ethanol import tariff through Dec. 2010




For More Information

USDA
<http://www.rurdev.usda.gov/rbs/farmland/index.html>

Environmental and Energy Study Institute
[http://www.eesi.org/Sustainable Biomass Energy Program](http://www.eesi.org/Sustainable_Biomass_Energy_Program)

FarmEnergy.Org
<http://farmenergy.org/policy/index.php>


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What more is needed?

- Careful rule-making by USDA to fully reflect Congressional intent (i.e. streamline and simplify programs; support wide range of technologies and project sizes, including livestock waste-to-energy projects; support feasibility studies, etc.)
- Full funding up to current authorization levels in FY 2009 and FY 2010 budget and appropriations cycles
- Increase funding authorizations


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What to watch in the 111th Congress?

- “Economic Recovery and Reinvestment Act of 2009”
- FY09 omnibus appropriations bill (current continuing resolution expires 3/6/09)
- Energy legislation, renewable portfolio standard, efficiency resource standards, etc.
- FY10 budget and appropriations
- Climate legislation

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What to watch in the new administration?

- New cabinet members and key agency appointments
- FY 2010 Budget Proposal
- USDA rulemakings for new Farm Bill energy programs
- EPA Renewable Fuel Standard rulemaking has been put on hold
 - Continuing concerns over definition of eligible biomass and over including “indirect land use change” in setting life-cycle greenhouse gas emissions screens

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Additional Thoughts

- Renewable energy has key role to play in addressing many current challenges simultaneously.
- 2008 Farm Bill is an important step toward tapping the significant renewable energy resource potential in rural America.
- Much more is needed.
- Significant opportunities lie ahead with the new Congress and administration.
- The state-federal and tribal-federal partnerships need to be strengthened to facilitate achieving critical national climate and energy goals.



Forthcoming EESI paper on state biofuel initiatives

Explores

- State programs to develop commercial-scale, low-carbon, advanced, biofuel technologies
- Ways federal and state programs and policies can complement one another
- Ways states are preparing to meet the federal biofuel mandate



For More Information Contact:

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