

Federal Biofuels Policy: The Congressional Perspective September 9, 2008

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2008 Food, Conservation and Energy Act of 2008

- Stephanie mentioned that several other Committees in Congress are involved in energy policy
- Even farm bill is shared
- House Science and Energy & Commerce Committees were also named as conferees to farm bill energy title

Overview of FCEA energy title provisions

- Definitions:

- “Advanced Biofuel”

- Similar to EISA definition in that it excludes corn starch

- “Renewable Biomass”

- Differs from EISA definition in that it does not restrict forest biomass as tightly or include planting history requirements

Section 9002 – Federal Procurement of Biobased Products

- USDA did technical rewrite of language
- Added a reporting requirement by USDA on progress
- Not quite as far as GAO suggestions – which included identification and allocation of staff and financial resources to carry out the program
- FCEA included \$2 million/year for testing and labeling work

Section 9003 – Biorefinery Assistance

- Added loan guarantee component to what was just a grant program in the '02 Farm Bill
- Mandatory funding provided only to loan guarantee section -- \$75 million for 2009 & \$245 million for 2010 – “available until expended”
- Only available to advanced biofuels

Section 9004 - Repowering

- Appeared in different forms in House and Senate bills
- House had it under Bioenergy Program and Senate had it as part of Biorefinery Grant & Loan Program
- Reward those existing plants already reducing their fossil fuel use & motivating the rest

Section 9005 – Bioenergy Program for Advanced Biofuels

- This is the Bioenergy Program or CCC Bioenergy Program as some know it
- Limited to advanced biofuels
- Funding higher in out years in hopes that cellulosic or other types of advanced biofuels will be applying
- Note that it will be administered by **Rural Development**, not Farm Service Agency as in past years

Section 9006 – Biodiesel Education Program

- Continuation of program started in 2002 Farm Bill
- \$1 million per year in mandatory funding from FY08-12

Section 9007 – Rural Energy for America Program (REAP)

- New name for Section 9006 Program – Renewable Energy and Energy Efficiency Program
- Combined audit program, which had never been funded, with grants/loan guarantees
- Audit funds limited to 4% of available funds through first half of fiscal year

Section 9008 – Biomass Research & Development Act

- USDA also did technical rewrite of BRDA, so may not see all of words you've seen before
- Clarified cost share levels at 20% for R&D and 50% for demonstration & commercial projects – meant to mirror DOE statutes
- 3 technical areas each get 15% of funding: Feedstocks Development, Biofuels & Biobased Products Development, and Biofuels Development Analysis
- Remainder left to priority areas as determined by DOE/USDA and Advisory Board

Section 9009 – Rural Energy Self-Sufficiency Initiative

- New program
- Designed to help rural communities increase energy efficiency/energy conservation & utilize their renewable energy resources
- Subject to appropriations

Section 9010 – Feedstock Flexibility Program

- Feedstock Flex, also known as “sugar to ethanol”, although we like to remind people it is “sugar to biofuels”, not just ethanol
- Raw, refined, or “in-process” sugar can be purchased and then resold to biofuels producers to ensure that the U.S. sugar program continues to run at no-net cost in times of oversupply

Section 9011 – Biomass Crop Assistance Program

- Has two parts – administered by FSA
 - Creation of project areas by biomass growers or a biomass conversion facility
 - Contracts with growers of up to 5 or 15 years
 - Provides establishment payments & rental payments
 - Delivery payment
 - Do not need to be in BCAP project area
 - To help with collection, harvest, storage and transport costs up to \$45/ton for 2 years

Section 9012 – Forest Biomass for Energy

- Research & development grant program aimed specifically at forest biomass
- Subject to appropriations

Section 9013 – Community Wood Energy Program

- Builds on existing Forest Service program that helps communities utilize woody biomass
- Provides assistance to help draw up plans as well as purchase community wood energy systems
- Subject to appropriations

Two studies

- Biofuels Infrastructure Study done jointly by USDA, DOE, EPA and DOT
- Expected to build on the results of studies under Sections 243 and 245 of EISA
- Study from renewable sources that is subject to appropriations

Farm Bill implementation

- USDA held meeting to get public input on energy title programs on September 4th
- Hoping to have loan guarantee program and BCAP up and running ASAP – new provisions, which means they're starting from scratch and can take a while
- Availability of funding

Availability of Funding

- Most farm bill program have mandatory funding – it does not have to be appropriated
- However, the appropriators have been known to slow down mandatory spending or even zero it out

Mandatory Budget Authority Levels

| Program | FY09 | FY10 | FY11 | FY12 | Total |
|--------------------------|--------|---------|--------|---------|---------------|
| BioPreferred* | \$2 m | \$2 m | \$2 m | \$2 m | \$9 million |
| Biorefinery Assistance** | \$75 m | \$245 m | | | \$320 million |
| Repowering Assistance** | \$35 m | | | | \$35 million |
| Bioenergy Program** | \$55 m | \$55 m | \$85 m | \$105 m | \$300 million |
| Biodiesel Education* | \$1 m | \$1 m | \$1 m | \$1 m | \$5 million |
| REAP** | \$55 m | \$60 m | \$70 m | \$70 m | \$255 million |
| Biomass R&D** | \$20 m | \$28 m | \$30 m | \$40 m | \$118 million |
| BCAP*** | | | | | \$70 million |

Notes on funding chart

*\$1 million available in Fiscal Year 2008

** Funds available until expended – “no year money”

*** BCAP was scored by Congressional Budget Office as costing \$70 million to operate