

BIOFUELS LEGISLATIVE UPDATE April 3, 2007

Northwest Biofuels Work Group
Summary provided courtesy of Climate Solutions

Federal

The Administration's proposal for Farm Bill reauthorization includes \$1.6 billion for renewable energy over 10 years, including \$500 million for bioenergy and bioproducts research (not the same as the Biomass Research & Development Act, different initiative), \$500 million for Section 9006 (\$50m/yr, original authorization \$23m/yr), and \$210 million for \$2.1 billion in loan guarantees for cellulosic ethanol (EPAct had same, but DOE's resulting solicitations included 10 other technologies). There's also a wood-to-energy program with \$150 million over 10 years for transportation fuels which is already generating questions about how it would be implemented (e.g. added emphasis on logging). And there's \$100 million to support cellulosic feedstocks (reauthorization of 9010, which ended in 2006) with \$25 million in annual mandatory funding (2009-2012).

Biofuels advocates are concerned there's not enough funding, and that some of the funding platforms might be consolidated. There's also interest in using more Conservation Reserve Program lands for biomass energy crops, but concern about switchgrass monoculture undermining other CRP goals. The Environmental & Energy Study Institute held a forum in Washington, DC on March 8 entitled "Bioenergy in the Farm Bill: Policy Options for Conservation." Proceedings are available at: www.eesi.org/briefings/2007/Ag%20&%20Energy/3-8-07feedstocks/3-8-07%20feedstocks.htm

Some of the other measures being introduced and considered by Congress:

- Biofuels Security Act – requires that all vehicles are flex-fuel, and half of all stations distribute E85, by 2017. Advances national RFS requirements to 30 bgy by 2020, and 60 bgy by 2030.
- Cellulosic Ethanol Development & Implementation Act – provides \$1 billion over next six years.
- Renewable Fuels & Energy Independence Promotion Act – addresses tariff schedule on ethanol
- Number of bills extending Production Tax Credit provisions

Washington

A number of biofuels-related bills are still active, though the success of most depends upon the outcome of ongoing budget deliberations.

- **HB1055** – Provides new definitions of alcohol fuel, alternative fuel, E85 motor fuel, and nonhazardous motor fuel, and places restrictions on the use of biodiesel derived from palm oil for purposes of the state minimum renewable fuel standards (apps.leg.wa.gov/billinfo/summary.aspx?bill=1055&year=2007).
- **HB1057** – Requires state agencies that own and operate refueling stations to provide information regarding the practical cost of offering alternative fuel to other state agencies and the public (apps.leg.wa.gov/billinfo/summary.aspx?bill=1057&year=2007).
- **HB1303** – Known as Clean Air/Clean Fuels, this bill passed the House 79-18 and is now before the Senate Ways & Means committee. The House budget contains funding for a number of the bill's provisions, though a long-term funding source for the Energy Freedom low-interest loan program has yet to be identified (apps.leg.wa.gov/billinfo/summary.aspx?bill=1303&year=2007).
- **HB1888** – Establishes *Brassica* seed production districts and provides a forum to set rules to protect prime vegetable seed production areas. Growers and seed companies will work with the Department of Agriculture to avoid cross pollination and contamination issues(apps.leg.wa.gov/billinfo/summary.aspx?bill=1888&year=2007).
- **SB5669** – Expediting permitting by state agencies for storage tanks, blending capacity, rack modifications, and other infrastructure supporting RFS implementation, sunsets Jan 1, 2010 (apps.leg.wa.gov/billinfo/summary.aspx?bill=5669&year=2007).
- **SB6056** – WSU is directed to study the potential of growing sugar beets for biofuel production. Final report is due Dec 1, 2009 (apps.leg.wa.gov/billinfo/summary.aspx?bill=6056&year=2007).
- **SB6170** – Establishes a two-year grant program for biofuel producers and agricultural cooperatives to pass through up to \$200,000 in tax credits to growers of instate feedstocks (apps.leg.wa.gov/billinfo/summary.aspx?bill=6170&year=2007).

Oregon

- **HB2210** – This Renewable Fuels Standard bill passed the House March 1 on a 53-4 vote, and is now before the Senate Environment and Natural Resources committee. A public hearing is scheduled for Apr 5. It requires B2 once Oregon production from regional feedstocks totals 5 mgy, and B5 once that production reaches 15 mgy. The content requirements do not apply to rail, marine or home heating uses. E10 is required once Oregon ethanol production reaches 40 mgy. The House version allows “renewable diesel” to qualify for RFS compliance. This is a complex issue that will be addressed in the Senate version. HB2210 also creates income tax credit for production or collection of biomass used to produce biofuel; creates income tax credit for consumer use of biofuels for transportation or home heating; and modifies energy facility siting requirement exemptions
(www.leg.state.or.us/07reg/measures/hb2200.dir/hb2210.b.html).
- **HB2211** – This companion legislation has likewise passed the House, and is now before the Senate Environment and Natural Resources committee. A public hearing is scheduled for Apr 5. It increases the annual cap on the business energy tax credit, expands BETC to include facilities that manufacture or distribute alternative fuels, and modifies the period over which credit may be claimed
(www.leg.state.or.us/07reg/measures/hb2200.dir/hb2211.b.html).
- **HB3488** – Expands business energy tax credit to include renewable energy equipment manufacturing facilities, and increases maximum income tax credits. Before House Energy and Environment
(www.leg.state.or.us/07reg/measures/hb3300.dir/hb3348.intro.html).
- **SB19** – Establishes renewable portfolio standard for consumer-owned utilities. Describes qualifying electricity for purposes of complying with standards. Directs State Department of Energy to establish system of renewable energy certificates. Establishes rules for use, transfer and banking of certificates. Power produced from biofuels qualifies for RPS compliance. Before Senate Environment and Natural Resources (www.leg.state.or.us/07reg/measures/sb0001.dir/sb0019.intro.html).
- **SB848** – Authorizes issuance of lottery bonds to finance Tri-Met conversion from diesel-fueled fleet to higher-efficiency, lower-emission vehicles. Creates Tri-Met Fleet Conversion Project Fund and continuously appropriates moneys in fund to pay expenses of fleet conversion. Currently before Senate Business, Transportation and Workforce Development
(www.leg.state.or.us/07reg/measures/sb0800.dir/sb0848.intro.html).
- **SB938** – Creates income tax credit for production or collection of biomass used to produce biofuel. Applies to tax credits for tax years 2007 through 2012. Currently before Senate Environment and Natural Resources
(www.leg.state.or.us/07reg/measures/sb0900.dir/sb0938.intro.html).

- **SB949** – This bill is also before the Senate Environment and Natural Resources committee. The measure authorizes issuance of lottery bonds for grants to fund feasibility studies regarding development necessary to construct cellulosic ethanol demonstration plants. Sunsets Jun 30, 2010
(www.leg.state.or.us/07reg/measures/sb0900.dir/sb0949.intro.html).
- **SB5516** – Provides \$3m for Oregon State University’s Biofuels Lab and Learning Center. Senate Finance & Revenue held a work session on Mar 29. The House version, HB3345, is before the Education Committee
(www.leg.state.or.us/07reg/measures/sb5500.dir/sb5516.intro.html).

Idaho

Two biofuels-related bills have been signed into law. Details at:
www3.state.id.us/legislat/legtrack.html

- **HB177** – Provides an income tax credit for capital investment in biofuel infrastructure. Passed the House 68-0-2 on Feb 27, and the Senate 26-8-1 on Mar 15. Effective Jul 1, sunsets Jan 1, 2012.
- **HB150** – Rural Idaho Economic Development Biofuels Infrastructure Matching Grant Fund creates a 50/50 matching grant program for retail fuel dealers to invest in infrastructure projects dedicated to providing biofuels, with \$2.3 million authorized over five years. The measure passed the House 69-1-0 on Feb 28, and the Senate 33-0-2 on Mar 16. Effective Jul 1, sunsets Jul 1, 2012.

Montana

Bills must be out of house of origin by April 3. Some of the bills still in play are listed below. To track them, visit www.opi.mt.gov/LegiSearch

- **SB432** – A requirement for biodiesel content equal to instate production capacity, stepping up by 1% increments from B2 to B5. It would not apply to mining or rail, and could be temporarily suspended if the biodiesel blend is 15% more expensive than traditional diesel.
- **HB175** – Replaces tax incentives for ethanol production with incentive payments, and removes the current ethanol content requirement.
- **HB822** – This bill provides up to \$500 in personal income tax exemption for individual purchases of biodiesel or biodiesel blends.
- **HB166** – The measure extends current biodiesel tax credits.