

Energy Titles of 2013 Farm Bills

By Corey Miller

In May of this year, both the House and Senate Agriculture Committees reported respective versions of a 2013 farm bill. On Monday, June 10, the full Senate passed S. 954 by a vote of 66-27. As of this writing, the full House has yet to take up debate of its version, H.R. 1947, but is expected to sometime in June.

This brief outlines the important features of the Energy Title (Title IX) of both bills and compares the differences between the two. The 2008 farm bill included a landmark energy title with considerable funding for a number of programs. In 2013, however, the budget situation is much different as members look for potential savings in virtually every farm bill program. Moreover, enthusiasm in Congress for a number of bioenergy related measures has also waned in recent years due to lower energy costs compared to 2008, as well as a general sense that much of the expected progress in biofuels—particularly cellulosic biofuels—has not materialized.

Authorized Programs

The **Biorefinery Assistance Program** provides loan guarantees for the development, construction, and retrofitting of commercial-scale biorefineries producing advanced biofuels and other facilities, including wood products facilities and sugar mills. The maximum loan guarantee is \$250 million per project, and the amount is reduced by any other federal funding received for the same project. Terms for the guarantees are 80 percent of principal and interest for loans less than \$80 million; 70 percent of the amount in excess of \$80 million for loans between \$80 and \$125 million; and 60 percent for the entire loan for loans of more than \$125 million. Loans are for no more than 20 years or 85 percent of the life of the project.

- **S. 954** renames the program the **Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program** as well as extending and expanding it to include renewable chemical and biobased product manufacturing. Grant and loan guarantee availability is also extended to renewable chemical and biobased product manufacturing. The Senate bill provides authorization to appropriate \$150 million annually for FY2014-FY2018.
- **H.R. 1947** extends the program through FY2018 but limits it to loan guarantees by eliminating grants. The House bill provides authorization to appropriate \$75 million annually for FY2014-FY2018, but no mandatory funding.

The **Repowering Assistance Program** is designed to provide grants or other payments to existing biorefineries to use renewable biomass to operate their energy systems. Eligible biorefineries must have been in existence on or before June 18, 2008, and must be in a rural area as defined above. Payments per applicant will be limited to 50 percent of total eligible project costs or \$5 million, whichever is less.

- **S. 954** does not renew the program.
- **H.R. 1947** extends the program through FY2018. The House bill provides authorization to appropriate \$10 million annually for FY2014-FY2018, but no mandatory funding.

The **Bioenergy Program for Advanced Biofuels** provides payments primarily to small agricultural producers to expand production of advanced biofuels, which are essentially those derived from renewable biomass other than corn-kernel starch. Producers enter into a contract that provides payments based on quantity and duration of advanced biofuel production. A limit of 5 percent of funding is provided to eligible producers with a refining capacity over 150,000,000 gallons per year.

- **S. 954** extends the program through FY2018 and provides authorization to appropriate \$20 million annually for FY2014-FY2018, but no mandatory funding is authorized.
- **H.R. 1947** also extends the program through FY2018, but provides authorization to appropriate \$50 million annually for FY2014-FY2018.

The **Renewable Energy Program for America (REAP)** consists of both loan guarantees and grants. The Loan guarantees are designed to assist farmers, ranchers and rural small businesses by encouraging the commercial financing of renewable energy and energy efficiency projects, such as anaerobic digesters. Loans may be up to 75 percent of a project's cost for a maximum of \$25 million. Maximum guarantees are 85 percent for loans of \$600,000 or less; 80 percent for loans greater than \$600,000 but less than \$5 million; 70 percent for loans greater than \$5 million up to \$10 million; 60 percent for loans greater than \$10 million up to \$25 million. Similarly, REAP grants are available for eligible feasibility studies for renewable energy systems including projects that will produce energy from wind, solar, biomass, geothermal, hydro power and hydrogen-based sources. Grants are limited to \$50,000 for renewable energy feasibility studies and can be up to 25 percent of total project costs.

- **S. 954** extends the program through FY2018, but limits grants to the lesser of \$500,000 or 25% of the cost of renewable energy systems and energy efficiency improvement projects; funds are not renewed for feasibility studies. The Senate bill provides authorization to appropriate \$20 million annually for FY2014-FY2018 and authorizes mandatory funding of \$68.2 million annually.
- **H.R. 1947** includes provisions similar to the Senate bill, but does not impose the \$500,000 ceiling for grants. The House bill provides authorization to appropriate \$45 million annually for FY2014-2018, but does not authorize mandatory funding.

The **Biomass Crop Assistance Program (BCAP)** provides financial assistance to agricultural producers to provide biomass material to facilities for conversion to heat, power, biobased products, or biofuels. Initially, BCAP provided assistance for the collection, harvest, storage, and transportation (CHST) costs of providing biomass. Producers can receive matching funds for the value of biomass provided to designated facilities for conversion, up to \$45 per ton; i.e., BCAP will pay what the biomass facility pays up to \$45 per ton. Crops that receive commodity payments under the farm bill, invasive or noxious plants, animal waste and byproducts, food and yard waste, or algae are not eligible to participate in BCAP. The program also provides payments for establishment costs of perennial bioenergy crops, and also annual payments. Through contract with USDA, participating producers can receive a one-time payment of up to 75% of the establishment cost of perennial crops and annual payments for up to 5 years for non-woody perennial crops and 15 years for woody perennial crops.

- **S. 954** extends BCAP through FY2018, but eliminates algae from the list of eligible crops. The Senate bill adds crop residue from crops receiving Title I payments, any whole grain crops from Title I crop would be excluded. The one-time payments for the establishment cost of perennial crops are limited to 50% of the cost and cannot exceed \$500 per acre. Payments for CHST costs are reduced to \$20 per dry ton, but are available for up to 4 years. The Senate bill authorizes mandatory funding of \$38.6 million annually and between 10% and 50% of the total funds must go toward CHST costs.
- **H.R. 1947** also extends BCAP through FY2018, but makes more wholesale changes to BCAP compared to the Senate bill. The House bill eliminates both the criteria for eligible materials as well as what materials are

excluded. Most significantly, H.R. 1947 removes all support for CHST, and provides no authorization for mandatory funding. The bill does authorize appropriations of \$75 million annually for FY2014-FY2018.

The **Biomass Research and Development Initiative (BRDI)**, a joint USDA/DOE program, awards grants to eligible entities to research, develop, and demonstrate biomass projects. Both Departments issue specific requests for proposals. The main areas are: (1) Feedstocks Development, (2) Biofuels and Biobased Products Development, and (3) Biofuels Development Analysis. Awards range from \$1 million to \$5 million, and 20 percent and 50 percent cost-sharing is required on research and development projects and demonstration projects, respectively. Entities eligible to participate include: institutions of higher education; National Laboratories; Federal and state research agencies; private sector entities; nonprofit organizations; or consortiums of two or more of the preceding entities.

- **S. 954** extends the BRDI through FY2018, and authorizes mandatory funding of \$26 million annually for FY2014-FY2018. The Senate bill also authorizes appropriations of \$30 million annually for FY2014-FY2018.
- **H.R. 1947**, like the Senate bill, extends BRDI through FY2018. However, the House bill provides no authorization for mandatory funding. The bill does authorize appropriations of \$20 million annually for FY2014-FY2018.