



ENVIRONMENTAL AND ENERGY STUDY INSTITUTE

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EXECUTIVE DIRECTOR, CAROL WERNER

## **STATUS REPORT: 2002 FARM BILL ENERGY TITLE (H.R. 2646)\***

**August, 2003**

The Farm Security and Rural Development Act of 2002 (H.R. 2646/P.L. 107-171), signed into law May 2002, was the first Farm Bill to contain an energy title. This legislation was designed to promote the development of ag-based renewables by encouraging federal procurement of biobased products, providing grants and loans for renewable energy projects, and funding vital research and development in bioenergy.

The following summary provides a brief synopsis of each provision, followed by an update on the status of its implementation. The summary is current through August 2003.

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### **FEDERAL PROCUREMENT OF BIOBASED PRODUCTS (SEC. 9002)**

Provision: Sec. 9002 makes available \$1 mil/yr (FY02-07) and requires Federal agencies to purchase biobased products that meet price, availability, and performance standards; provides for a voluntary labeling program of certified "Biobased Products;" and provides financial assistance for testing of biobased products by manufacturers.

Status: A draft regulation for the implementation of Sec. 9002 was originally scheduled to be finished by the end of 2002, but has been delayed because of the complexity of the issue and the need for USDA to consult with a variety of Federal Agencies. The draft regulation has been cleared by USDA and is currently being reviewed by the Office of Management and Budget (OMB). Among other things, the regulation will define what a 'biobased product' is, which will determine what products Federal agencies will be required to purchase. Once the regulation is cleared by USDA, it will then go to the Office of Management and Budget (OMB) for clearance before being published in the *Federal Register*.

### **BIODIESEL FUEL EDUCATION PROGRAM (SEC. 9004):**

Provision: Sec. 9004 makes available (\$1 mil/yr FY03-07) in grants to conduct a biodiesel fuel education program. The intent of the program is to educate government and private vehicle fleet managers and the public about the benefits of biodiesel in order to increase demand for this renewable fuel. A maximum of two grant awards will be made to either non-profit organizations or institutions of higher education.

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\*The text of the legislation along with the statement of the managers can be found online at:  
<http://www.agriculture.house.gov/farmbill.htm>

Status: A USDA oversight committee was formed to begin implementing the Biodiesel Fuel Education Program in October 2002. A Request for Applications (RFA) for \$920,000 was published in the Federal Register on July 15, 2003, applications were due on August 14, and results will be announced no later than September 30, 2003.

Click here to see the RFA as published in the Federal Register:

<http://a257.g.akamaitech.net/7/257/2422/14mar20010800/edocket.access.gpo.gov/2003/03-17852.htm>

Click here to see the USDA Press Release for Sec. 9004: <http://www.usda.gov/news/releases/2003/07/0255.htm>

## **RENEWABLE ENERGY SYSTEM & ENERGY EFFICIENCY IMPROVEMENTS (SEC. 9006)**

Provision: Sec. 9006 provides \$23 mil/yr (FY03-07) in grants, loans, and loan guarantees to farmers, ranchers, and rural small businesses for the development of renewable energy projects and energy efficiency improvements. The program is designed to help farmers become net energy producers of on-farm renewable energy.

Status: Released in February 2003, the Administration's proposed budget for fiscal year 2004 (FY04) eliminated mandatory funding for the Sec. 9006, and in late June, the House Agriculture Appropriations bill also eliminated its mandatory funding. However, in House floor action in July, an amendment offered by Rep. Marcy Kaptur (D-OH) was adopted that restored full funding (\$23 million) for Sec. 9006.

The Senate Appropriations Subcommittee on Agriculture provided \$23 million for Sec. 9006 in its appropriations bill, which will be taken up by the full Senate this fall.

USDA received over 100 applications nation-wide for Sec. 9006 for 2003 – this is noteworthy given that this is the first time the program has been offered and that applicants had just over two months (April 8, 2003 - June 27, 2003) to prepare applications.

On August 25, 2003, USDA announced the selection of 113 applications for renewable energy systems and energy efficiency improvement grants in 24 states totaling \$21,207,233. Grant specifics include: 35 applications totaling \$7.4 million to support wind power, 30 applications totaling \$7 million for anaerobic digesters, 6 applications totaling \$1.1 million solar and 16 applications totaling \$3.9 million for ethanol plants/anaerobic digesters, direct combustion and fuel pellet systems. The table below lists recipients by state:

California - \$691,830	Hawaii - \$60,966	Idaho - \$1,010,000
Illinois - \$2,186,596	Iowa - \$1,258,440	Kansas - \$29,075
Massachusetts - \$970,000	Michigan - \$434,500	Minnesota - \$4,678,632
Mississippi - \$231,503	Missouri - \$124,499	Montana \$37,000
Nebraska - \$177,654	New York - \$2,878,027	North Carolina - \$130,000
North Dakota - \$10,410	Ohio - \$2,043,612	South Carolina - \$15,000
South Dakota - \$62,500	Texas - \$999,350	Vermont - \$79,001
Virginia - \$500,000	Washington - \$883,028	Wisconsin - \$1,715,610

To see the USDA press release, please visit: <http://www.usda.gov/news/releases/2003/08/0295.htm>, and for a complete list of recipients, please visit:

<http://www.eesi.org/publications/Fact%20Sheets/9006%20award%20recipients%202003.htm>

For more information on Sec. 9006, please visit:

<http://www.eesi.org/publications/Press%20Releases/pressreleases.htm> or

<http://www.rurdev.usda.gov/rd/farmbill2002.html>

### **BIOMASS RESEARCH AND DEVELOPMENT ACT OF 2000 (SEC. 9008)**

**Provision:** Sec. 9008 reauthorizes and funds the Biomass Research and Development Act of 2000 at \$5 mil FY02, \$14 mil/yr FY03-07. The Biomass Research and Development Act of 2000 requires the coordination of federally-funded biomass research. This is to be facilitated by the "Interagency Biomass R&D Board," which will report to the "Biomass Research and Development Technical Advisory Committee." The Biomass R&D Technical Advisory Committee is then required to make recommendations on the strategic direction of research being funded by the U.S. Department of Energy (DOE) and the U.S. Department of Agriculture (USDA).

**Status:** In October 2002, the Advisory Committee authored a "Vision for Bioenergy and Biobased Products in the United States," which was followed in December 2002 by the release of the "Roadmap for Bioenergy and Biobased Products in the United States." In February, 2003, the Biomass R&D Technical Advisory Committee (Advisory Committee) and the Interagency Biomass R&D Board held their first joint meeting. At this first meeting, the Committee reached consensus that biomass can and will play an integral part in enhancing national energy security, but cautioned that biomass is not getting the financial backing necessary to its success.

On March 18, 2003, USDA and DOE issued a joint Request for Proposals (RFP) for FY 2003, with up to \$21 million available. The closing date was May 16, 2003. Selections of recipients have been made and awards will be announced soon.

For more information about the Biomass Research and Development Initiative and relevant documents, please visit <http://www.bioproducts-bioenergy.gov>. The RFP can be found at [www.nrcs.usda.gov](http://www.nrcs.usda.gov), [www.bioproducts-bioenergy.gov](http://www.bioproducts-bioenergy.gov), and [www.fedgrants.gov](http://www.fedgrants.gov).

### **COMMODITY CREDIT CORPORATION BIOENERGY PROGRAM (SEC. 9010)**

**Provision:** Sec. 9010 provides up to \$115.5 million for FY 2003 and up to \$150 million annually for FY's 2004-06 to continue the work of the Commodity Credit Corporation (CCC) Bioenergy Program, which reimburses ethanol and biodiesel producers for the purchase of commodities to expand existing production. The Secretary of Agriculture makes payments (through the Commodity Credit Corporation) to eligible producers to encourage increased purchases of eligible commodities (energy feedstocks). Payments to eligible producers are based on the increase in quantity of bioenergy they produce during a fiscal year over the quantity they produced during the preceding fiscal year.

The list of eligible feedstocks was expanded in the 2002 Farm Bill to include animal byproducts and fats, oils and greases (including recycled fats, oils, and greases). The Secretary can use up to \$115.5 million for FY 2003 and up to \$150 million annually for FY's 2004-06. The level of benefits paid for base production will be gradually phased down from 50% in 2003, to 30% in 2004, 15% in 2005 and eliminated in 2006.

**Status:** A total of 1,994 respondents commented on the Bioenergy Program Proposed Rule published in the October 1, 2002, *Federal Register*. The Bioenergy Program Final Rule (<http://www.fsa.usda.gov/daco/bioenergy/2003/BioEnergyFinalRule.pdf>) was published Wednesday, May 7, 2003 and the 30 day sign-up period for FY 2003 ended June 6, 2003. According to CCC's website, "Applications for Bioenergy Program payments for the first 3 quarters of FY 2003 exceeded the Program's available funding of \$115.5 million for the time period, and the Commodity Credit Corporation (CCC) is in the process of adjusting payment amounts to hold them to the available funding." To address this, USDA has recently created a "payment factor" of 77% with which to pro-rate payments to recipients for the first 3 quarters. For information on the payment factor, please visit the page listed below.

The 30 day sign-up period for FY 2004 began August 1 and ends September 2, 2003. For more information on FY04 sign-ups and documents, please visit: [http://www.fsa.usda.gov/daco/bio\\_daco.htm#Forms](http://www.fsa.usda.gov/daco/bio_daco.htm#Forms)

## Authorized Programs Subject to Appropriations:

**Biorefinery Development Grants (Sec. 9003):** Creates a grant program to help establish facilities for the conversion of biomass into electricity, fuels, chemicals, and other marketable products. Funding for this program was authorized, but the administration's budget did not provide any funding and no money has been appropriated for FY 2004 by Congress. No regulations are currently being developed.

**Energy Audit and Renewable Energy Development Program (Sec. 9005):** Establishes a cost-share grant program to help farmers identify and assess their renewable energy resources, and energy efficiency improvement potential. Funding for this program was authorized, but no money was requested by the administration nor has money been appropriated for FY 2004 by Congress. No regulations are currently being developed.

**Carbon Sequestration Research (Sec. 9009):** Provides discretionary authority for competitive grants for research on carbon fluxes and exchange of greenhouse gases from agriculture. It authorizes appropriations as necessary to carry out this provision for FY's 2003-07. Section 9009 duplicates currently existing authority for USDA.

## Other Energy Provisions in the Farm Bill:

### Rural Development Title

**Value-Added Agricultural Market Product Development Grants Program (Sec. 6401):** An existing program amended to allow renewable energy systems to qualify for grants.

Provision: Sec. 6401, which is part of the Rural Development title of the 2002 Farm Bill, was allocated \$40 million per year in mandatory funding. The program was created to spur development of new uses for agricultural products, and the 2002 Farm Bill amended the program to include renewable energy. Under the Value-Added program, \$40 million in grants in 43 states were awarded by USDA in 2002, several of which were awarded to bioenergy projects throughout the country.

Status: The administration's budget for FY 2004 eliminated mandatory funding for Sec. 6401, and in late June, the House Agriculture Appropriations bill also eliminated its mandatory funding. The Senate provided full funding of \$40 million for Sec. 6401 in its appropriations bill, which will be taken up by the full Senate this fall.

*EESI will publish another update after final action is taken on the Agriculture Appropriations bill (H.R. 2673, S. 1427). In the meantime, USDA will be sending its budget proposal to the White House Office of Management and Budget (OMB) in early September. The White House will make a decision about funding for these programs over the course of the next few months. Now is when OMB will be gathering input on the budget. The FY05 budget request will be submitted to Congress in early February, 2004.*