



## ML Strategies Legislative Update

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JANUARY 28, 2014

## Farm Bill Conference Report Contains Significant Funding for Rural Renewable Energy and Energy Efficiency

On January 27 the leadership of the House and Senate Agriculture Committees released the long-awaited conference report of the 2014 Farm Bill. This five-year reauthorization—available [HERE](#)—is estimated to cost \$950 billion over ten years for a variety of farm and nutrition programs. Notably, the bill would end direct payments to farmers and trim \$8 billion from the food stamps program. The conference report constitutes the compromise between House and Senate negotiators. The House and Senate must each still pass this compromise. Past efforts to pass a Farm Bill have stalled—it was kept off the House floor in 2012 and an initial House vote in 2013 resulted in a surprising defeat. This time, the Farm Bill seems to have stronger leadership support from the House. Both House Speaker John Boehner and Senate Majority Leader Harry Reid are signaling that they plan to bring the legislation up for a vote in the next few weeks, and Congress is expected to enact it.

While the legislation’s Energy Title represents less than one percent of total Farm Bill spending, it nevertheless supports programs important to the bioenergy and biofuels industries. The Energy Title would provide \$881 million in mandatory funding to renewable energy and biofuels initiatives over the next decade and extend eligibility for certain incentives to renewable chemicals and biobased manufacturing. Since mandatory funding does not rely on annual appropriations bills, the mandatory funds contained in the Energy Title represent a significant victory for clean energy companies doing business in rural America. Some key highlights of the Energy Title from the conference report include the following:

### **Biofuels, Renewable Chemicals, and Biobased Manufacturing**

- The legislation would create a statutory definition of renewable chemical.
- The Biopreferred program, which creates a federal demand for biobased and forestry products, is amended and expanded.
- Eligibility for the Biorefinery Assistance Program (Sec. 9003) is expanded from biofuels to include renewable chemical and biobased product manufacturing as well. One hundred million dollars of mandatory spending is available in FY 2014, and \$50 million per year is available in FY 2015 and 2016. The loan guarantee program leverages private investment so that the \$200 million in mandatory funding can effectively support an even larger number of loan guarantees. Typically, the credit subsidy costs of the loan guarantees (meaning the cost to the government when evaluating the risk of default) averages about 30 percent, so the \$200 million in total mandatory funding could leverage upwards of \$700 million in loan guarantees. Up to 15 percent of the funding for loan guarantees can be used to cover the

- expenses for renewable chemical and biobased manufacturing.
- The Repowering Assistance Program (Sec. 9004), which offsets a portion of the costs associated with the conversion of existing fossil fuel systems at eligible biorefineries to renewable biomass fuel systems, will receive \$14 million in mandatory funds in FY 2014.
- The Bioenergy Program for Advanced Biofuels (Sec. 9005), which provides supplementary payments to rural producers of biofuels derived from biomass other than corn kernel starch, will receive \$15 million in mandatory funds from FY 2014 through 2018.
- Biomass research and development programs (Sec. 9008) would receive \$3 million in mandatory funding each year.
- The Feedstock Flexibility Program for Bioenergy Producers (Sec. 9009), which provides low - cost sugar feedstock to biofuel producers, is extended through 2018.
- The conference agreement reforms the Biomass Crop Assistance Program (BCAP), which assists farmers in the planting and harvesting of new energy crops. The agreement provides for \$25 million per year in mandatory funding in FY 2014 through 2018.

### **Renewable Energy and Energy Efficiency**

- The Rural Energy for America Program (REAP, Sec. 9007), which helps rural small businesses and agricultural producers make investments in renewable energy systems or energy efficiency, is modified to streamline the application process. Under the conference agreement, REAP would receive \$50 million in mandatory funds each year. Eligible renewable energy projects include wind, biomass, anaerobic digestion, solar, geothermal, and hydrogen. Eligible energy efficiency improvement projects include improvements to a non-residential facility, building, or process that reduces energy consumption, such as retrofitting, lighting, insulation, and purchasing or replacing equipment and motors with more efficient units. Eligible efficiency projects must replace an existing item or object.
- The bill also establishes a Community Wood Energy Program to assist consumers with the purchase of wood heating systems or biomass heating products.

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