

Developing State Policies Supportive of Bioenergy Development

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Abstract

Working within the context of the Southern States Biobased Alliance (SSBA) and with officials in each state, the Southern States Energy Board (SSEB) is identifying bioenergy-related policies and programs within each state to determine their impact on the development, deployment or use of bioenergy. In addition, SSEB will determine which policies have impacted industry's efforts to develop, deploy or use biobased technologies or products. As a result, SSEB will work with the Southern States Biobased Alliance to determine how policy changes might address any negative impacts or enhance positive impacts.

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Introduction

The President's National Energy Policy recognizes the need to increase and diversify domestic energy resources of traditional and alternative fuels. As stated in the Report of the National Energy Policy Development Group (NEPD) published in May 2001, continued growth of renewable energy will continue to be important in delivering larger supplies of clean, domestic power for America's growing economy.

The NEPD Group recommended that the tax credit for electricity produced from biomass and wind be extended and that eligible biomass sources should include forest-related sources, agricultural sources, and certain urban sources. In addition, the NEPD Group supported a credit for electricity produced from biomass co-fired with coal.

The Administration's FY03 Budget Request includes a number of proposed tax incentives to encourage energy efficiency and the use of renewable energy resources. Besides the recommended tax incentives in the National Energy Policy, the budget request also creates new tax incentives as well as extends some existing energy tax incentives.

In September 2001, SSEB and the Southern Governors' Association addressed energy policy in the southern states and adopted ***Energy Policy in the South- Integrating Energy, Environment and Economic Development: A Balanced and Comprehensive Approach*** that is in concert with the President's National Energy Plan. It was presented to Vice President Cheney at the 2001 Annual Meeting of the Southern Governors Association and the SSEB

The cornerstone of this report is the need for a stable, reliable and secure energy supply. The five key principles highlighted in the document are as follows:

- Ensure diversity of domestic energy resources to achieve energy and economic stability;
- Address supply to enable market stability and ensure energy reliability;
- Increase conservation and improve efficiency to minimize environmental impact and foster demand response;
- Expand and strengthen infrastructure capacity; and
- Advance R&D and use clean energy technologies and systems.

The Southern Governors recognize that in order to maintain the world's strongest economy and protect National security coupled with a clean environment, states must support and develop policies and technologies that enable a diversity of domestic energy resources to be utilized throughout the region. The Southern Governors called upon Congress to provide adequate funding and incentives for further development of clean and efficient technologies and systems to provide an effective approach to increasing domestic energy supplies.

In the Energy Policy in the South, the Southern Governors recommend that states should develop programs and policies that will foster a regional market in the southern states for biofuels and bioenergy. This project addresses the need to develop state policies that are supportive of the development, deployment, and use of biobased technologies and products.

Over its lifetime, the Regional Biomass Energy Program has developed close linkages with state energy offices and other state agencies. State officials are key bioenergy stakeholders; especially since elected officials set policies within their states, have power over programs, and control appropriations that can positively or negatively impact the development, deployment, and use of bioenergy. However, career state officials are influential too as they carry out state programs and policies, and provide continuity across changing administrations. State governments are also important, as the federal government cannot, by itself, attain the potential of the region without the cooperation and assistance of the states. It is therefore essential for state officials to understand the benefits of bioenergy and the impact state policies have on bioenergy, and that these policies be supportive.

The Southern States Energy Board is an interstate compact that includes 16 southeastern states and Puerto Rico and the US Virgin Islands. One of the Southern States Energy Board's goals over its 40-year life is to "...develop, promote, and recommend policies and programs on energy, environment, and economics that encourage sustainable development." One way that the Southern States Energy Board accomplishes this goal is to establish task forces comprised of members from its states, the private sector, non-profits, and others. The Southern States Energy Board, which is also the host for the Southeastern Regional Biomass Energy Program, is currently in the progress of setting up a biobased task force, which has been named the Southern States Bio-Based Alliance.

Activities of the Southern States Bio-Based Alliance are focused on creating awareness, and providing information and education for its members. As the members of the Southern States Bio-Based Alliance assess the opportunities for bio-based products and bioenergy in the region, the group will review and, if necessary, make recommendations for modifying or adding to their existing policies to make them supportive of bioenergy development, deployment, and use. The Southern States Bio-Based Alliance will also provide a forum for discussing and developing additional bioenergy-related policies when the need arises in the future.

Although not targeted at local government officials, this activity will also impact policies at the local level since local officials frequently follow the lead of their state government in setting local policy.

Goal

The goal of this project is to have state policies within the SSEB region (and nation) that, to the extent possible, positively impact the development, deployment, or use of bioenergy and are consistent among states.

Statement of work

Working within the context of the Southern States Bio-Based Alliance and with officials in each state, a staff member and/or contractor will identify bioenergy-related policies and programs within each state and determine their impact (in any way) on the development, deployment, or use of bioenergy. The staff member and/or contractor will be asked to determine as quantitatively as possible how this impact occurs, and how the legislation originally came to be promulgated.

Additionally and simultaneously, the staff member and/or contractor will be interviewing bio-based industry officials to determine what policies (or lack of policies) have impacted their efforts to develop, deploy, or use biobased technologies or products. The staff member and/or contractor will also try to determine the nature of these impacts and how policy changes might address any negative impacts or increase positive impacts.

These policies may involve the following aspects or other aspects:

- Financial and other incentives for technology development, testing, demonstration, deployment, and/or use;
- Permitting and licensing processes related to construction of new facilities, modification of existing facilities, and/or use of new products;
- Regulations pertaining to land use and siting (e.g., zoning, height restrictions) of bioenergy facilities; or running utilities to bioenergy facilities;
- Environmental regulations including air and water quality protection related to bioenergy facilities or the production of biomass crops; wildlife management, development of new agricultural and forestry crops, testing new technologies;
- Resources for relevant state agencies and programs including staffing qualifications and needs;
- Policies pertaining to state procurement, specification, bidding, and purchasing requirements to design, finance, and/or build new or modify existing state facilities;
- Policies pertaining to state procurement, specification, bidding, purchasing, and/or use requirements for biomass fuels or bio-based products;
- State educational policies;
- Technical assistance;
- Solid waste management and recycling programs;
- Economic development and industry recruitment;
- Agricultural and forestry production;
- Transportation of biomass feedstocks and bio-based products;
- Taxes including investment, corporate, road use, etc.
- Project financing;
- Utility deregulation including power sales to others, stranded costs, electricity pricing; renewable portfolio standards, and wheeling policies;
- Health and safety;
- Purchase of alternative fuel vehicles and installation of refueling stations.

Once the policies are identified and analyzed for impact, SSEB will host a series of meetings of the Alliance to:

- Share the findings with other states using an interactive meeting forum
- For policies that provide negative impacts, the state representatives will be asked to determine how to *change* their state policies to provide positive impacts based on discussions of successes in other states.
- Also based on successes in other states and the ensuing discussion, the state representatives will determine if they need to *add new* policies in their states. The group will be asked to draft model legislation to fulfill these needs that can be taken back and implemented within their respective states.

Due to the wide range of policies and to keep each meeting manageable, policies that are more closely allied will be lumped together for discussion and meeting purposes. This approach will also make it easier to get officials from the appropriate state agencies to attend the meetings, since they will know that a particular meeting will deal with the topics that are relevant to them.

In addition to attaining the project goal, this project approach will facilitate information sharing and education on state policies and their ramifications, create peer reaction, and ultimately provide more uniform regulations across the region that are supportive of bioenergy development, deployment, and use.

Experimental

Due to the nature of the project, no experimental methods, materials or equipment are necessary.

Results and Discussion

The goal of this project is to identify and compile into one document, bioenergy and biobased-related government policies and programs in the US and to determine the effectiveness of these policies and programs. This final document is meant to serve as a resource for industry that has interest in and need for this specific information, and for government officials contemplating modification of existing legislation or creation of new legislation, policies, or programs. As a result, government officials will be able to learn from the experiences of others and efficiently create new model legislation for their states.

Task 1 is to identify bioenergy-related policies and programs for all states and determine their impact on the development, deployment, and use of bioenergy. Examples of biomass related policies and programs include tax credits, loan and grant programs and their funding mechanisms (e.g., appropriations, system benefit charges), renewable portfolio standards, etc. Potential sources of information include the SSEB legislative digest, the Interstate Renewable Energy database, state officials and websites, industry officials and trade associations, etc. A literature review has been partially conducted for this task. A list of state officials, industry trade associations, and others familiar with bioenergy-related programs and policies has been compiled and contacting of these officials has begun.

Work has started on Task 2a, which is to interview biobased industry officials to determine the impact of existing and or lack of policies on efforts to develop, deploy, or use biobased technologies or products. A listing of selected industry representatives and other beneficiaries of the legislation and programs identified in Task 1 is being compiled.

The draft document prepared in Task 1 will be sent to selected industry representatives and other beneficiaries of the legislation and programs identified in Task 2a. Those surveyed will be asked to provide comments on the effectiveness of the existing policies and programs, and asked to suggest changes in the existing policies and programs or suggest new policies and programs that are needed. The survey will also ask those suggesting changes or new policies and programs to explain the rationale for their suggestions.

In addition, planning for the 2nd meeting of the Southern States Biobased Alliance began during this quarter. An agenda was approved by the co-chairs that will include presentations from Congressional staff on the energy bill as well as a briefing from USDA on Title IX of the farm bill.

The co-chairs also plan to have the Alliance determine specific activities that will provide the basis for reporting to the Southern States Energy Board governors and state legislators at the annual meeting in September 2003.

Conclusion

Beyond the potential economic development benefits, states gain the opportunity to strengthen and integrate the work of energy, agriculture, forestry, environmental and other state agencies. Where issues are the same among several states, strategies can be developed to address these issues without regard to state borders. Examples include the development of similar legislative actions, working with the private sector with multi-state locations, and multi-state training and outreach to economize resources.

Notably, several southern states have long-standing policies and programs that support the use of bioenergy. Therefore, some states have a more developed bioenergy economy than others. However, all states in the southern region have significant biomass resources. SSEB will report these findings in the final report. In addition, SSEB is conducting a survey of industry and expects to have a preliminary report on these findings to present to the Alliance members in 2003.

One third (6) of SSEB's member states changed Administrations in January 2003. Since the Alliance membership is gubernatorial appointees and new appointments for those states will not be made until the Administrations change over, the Alliance will reconvene formally until in May 2003. Representative Roger Thomas, Kentucky, and Mr. Fred Allen, Director of the Georgia Forestry Division, who are the new co-chairs of the Alliance, will lead the meeting.

References

No new references were used for this quarterly report.