

HOUSE RESEARCH

Bill Summary

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Overview

The bill establishes a suite of new initiatives to speed the development of locally-owned biofuel and other bioenergy facilities that derive energy from native perennial plants.

Section

- 1 Clean energy capital equipment loans.** Directs the Department of Agriculture to establish a renewable energy revolving loan program and make capital equipment loans to persons participating in the land easement program in section 4 and other persons using native perennials for energy or seed production. Directs the department, in consultation with the advisory committee created in section 4, to establish loan guidelines.
- 2 Cellulosic biofuel development.** Sets a cellulosic ethanol production goal and creates a tiered cellulosic biofuel producer payment program.

Subd. 1. Appropriation. Creates an open appropriation to fully fund the producer payments.

Subd. 2. Definitions. Defines several terms including "cellulosic biofuel," "perennial crops," "native species," and "eligible biofuel producer."

Subd. 3. Cellulosic biofuel production goal. Establishes a goal that by 2015 (or when 60 million gallons of cellulosic ethanol is produced in Minnesota), 1/4 of the ethanol used in the state will come from cellulosic sources.

Subd. 4. Cellulosic biofuel producer payments. Creates a tiered biofuel producer payment system that gives preference to ethanol produced from perennial, native crops. (Eligible producers are those (a) with at least 51 percent of the ownership interest held by farmers residing in the same county as the facility or in an adjoining county and (b) 24 percent community ownership held by persons residing in the county or adjoining county.)

Authorizes a first tier of five years of payments for producers beginning production by June 20, 2012, at 15¢ per gallon for the first 15 million gallons produced annually from certain cellulosic materials like corn stover. Establishes a second tier of ten years of 30¢/gallon payments for producers who begin producing by June 30, 2015 and utilize perennial, native cellulosic material grown according to the standards developed under section 4. Limits annual payments for all eligible producers under both tiers to \$27 million.

Establishes a clawback provision for producers who fail to meet the local ownership requirements within five (cellulose) or ten (native perennials) years of receiving their final payment. Allows payment on certain production capacity increases and conversions. Establishes reporting requirements. States that producers receiving payments via the program in section 3 are not eligible for cellulosic biofuel producer payments.

3 Bioenergy production incentive. Creates a bioenergy (i.e. commercial heat, industrial process heat, or electrical power from perennial, native crops) producer payment program.

Subd. 1. Appropriation. Creates an open appropriation to fund the producer payments.

Subd. 2. Definitions. Links to the definitions in section 2 and defines the terms "bioenergy production" and "project area."

Subd. 3. Bioenergy producer payments. Requires the department to make three years of payments at \$0.75 per million Btu produced to eligible bioenergy producers who began production by June 30, 2009 and produce bioenergy from certain cellulosic materials like corn stover. Requires ten years of payments of \$1.50 for producers using certain perennial, native cellulosic material who began production by June 20, 2012. Limits annual payments to all producers to \$11 million. Allows payment on certain production capacity increases and conversions. States that producers receiving payments via the program in section 2 are not eligible for bioenergy producer payments.

4 Reinvest in Minnesota clean energy program. Creates a technical committee to assist the Board of Water and Soil Resources (BWSR) in establishing a Reinvest in Minnesota (RIM) program that devotes agricultural land to the cultivation of cellulosic perennials.

Subd. 1. Establishment of program. Directs BWSR to establish and administer the program in conjunction with a technical committee made up of representative from several state agencies and other public and private stakeholders. Specifies general criteria for the selection of land.

Subd. 2. Eligible land. Defines the features of eligible land.

Subd. 3. Designation of project areas. Directs BWSR to develop a process to

designate project areas using specific criteria.

Subd. 4. Easements. Authorizes BWSR to acquire easements of a permanent or limited nature (at least 20 years) and exempts the negotiation and acquisition of easements from certain state contracting provisions.

Subd. 5. Nature of property rights acquired. Establishes easement terms, including prohibited and restricted activities.

Subd. 6. Agreements by landowner. Specifies terms to which the landowner must agree.

Subd. 7. Payments for easements. Directs BWSR to develop a tiered payment system based on specific environmental factors and requires that the highest per-acre payment be for diverse native prairie and perennials.

Subd. 8. Easement renewal. Allows for renewal of easement agreements upon expiration. Allows BWSR to adjust payment rates at point of renewal, subject to certain conditions.

Subd. 9. Correction of easement boundary lines. Allows BWSR, with approval of the attorney general, to correct errors in easement legal descriptions.

Subd. 10. Enforcement and damages. Prescribes damages for landowners who violate easement agreements.

Subd. 11. Technical committee. Requires BWSR to establish a technical committee to ensure that certain public benefits accompany bioenergy crop production on program lands.

- 5 **Appropriation; RIM clean energy reserve standards.** Appropriates a onetime amount of \$3,500,000 from the general fund to BWSR to develop clean energy reserve program guidelines in consultation with the technical committee (section 4).
- 6 **Appropriation; clean energy reserve easements.** Appropriates \$20 million in bond proceeds to BWSR to acquire clean energy reserve easements (section 4) and \$500,000 from the general fund to BWSR for long-term inspection and protection of easements.
- 7 **Transfer; clean energy capital equipment revolving loan fund.** Directs the Department of Finance to transfer \$3,000,000 from the general fund to the capital equipment revolving fund (section 1) by June 30, 2008.
- 8 **Appropriation; bioenergy crop utilization technology permitting.** Appropriates \$1,000,000 in FY2008 and \$1,000,000 in FY2009 from the general fund to the pollution control agency to permit new and emerging bioenergy technologies. This is a onetime appropriation.
- 9 **Appropriation; bioenergy production and utilization technical assistance.** Appropriates \$600,000 in FY2008 from the general fund to the Agricultural Utilization Research Institute for technical assistance and technology transfer to bioenergy crop producers and users.
- 10 **Appropriation; bioenergy production research and monitoring.** Appropriates \$1,000,000 in FY2008 from the general fund to BWSR to provide grants for bioenergy research and monitoring activities.
- 11 **Appropriation; bioenergy agronomic economic and policy research.** Appropriates \$1,000,000 in FYs 2008 and 2009 from the general fund to the Minnesota Institute for Sustainable Agriculture for on-station and on-farm field-scale research and outreach to

develop and test the agronomic and economic requirements of diverse stands of prairie plants and other perennials.

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Appropriation; business development assistance grants. Appropriates onetime funding of \$150,000 in FY2008 from the general fund to the Department of Agriculture for grants to nongovernmental entities assisting in the development of business plans and structures related to community ownership of cellulosic biofuel facilities.