

Energy Title Programs in the House and Senate 2018 Farm Bills



On June 28, the Senate passed its Farm Bill, [the Agriculture Improvement Act of 2018](#). One week earlier, the House passed its version of the bill, [the Agriculture and Nutrition Act of 2018](#). While there are significant differences overall between the two bills, both include continued support for the USDA's energy programs with a few notable changes.

In a departure from more than 15 years of policy, the House version of the 2018 farm bill would create Title VI – "Rural Infrastructure and Economic Development" – in lieu of the traditional Title IX. Since the 2002 farm bill, bioenergy programs have been organized under Title IX of the farm bill (known as the energy title).

The Senate farm bill provides significantly more funding for farm bill energy title programs (which primarily fund biofuels and biomass projects) than the House farm bill. Prior to the Senate Agriculture Committee markup, the Senate farm bill primarily provided discretionary funding for farm bill energy title programs, similar to the House bill, which was a step in the right direction toward eliminating these programs that have a history of wasting taxpayer dollars on mature biofuels and biomass sources. However, Sen. Klobuchar (D-MN) offered an [amendment](#) in committee that increased mandatory funding (and discretionary or optional funding) for many of the programs, resulting in the funding levels described below. The Senate bill would also keep bioenergy programs in Title IX of the farm bill – the Energy Title – unlike the House bill which moves these programs to the Rural Development Title.

The Senate bill, however, takes a small step in the right direction by eliminating the Repowering Assistance Program and the Rural Energy Self-Sufficiency Initiative. (The House and Senate both axed the Repowering Assistance Program in 2012 only for it to reappear in the conferenced bill, and ultimately the bill that became law in 2014).

CBO estimates that the Senate farm bill's energy title (Title IX) will cost taxpayers an additional \$0.4 billion over the next ten years (2019-2028). Separately, the Rural Energy for America Program (REAP) has mandatory baseline funding of \$50 million per year, totaling \$0.5 billion over ten years. Combined, the energy title programs in the Senate bill would cost taxpayers nearly \$1 billion over the next ten years unless their funding is limited during annual appropriations cycles.

According to CBO estimates of the House version of the farm bill, if adopted, direct spending from programs in Title VI would be reduced by \$517 million over the 2019-2028 period. The House bill achieves this by eliminating mandatory funding for USDA's Biorefinery Assistance and Rural Energy for America Programs.

Here is a snapshot of the funding levels in the 2018 House and Senate farm bills compared with those authorized in the 2014 farm bill:

Annual Authorized Funding Levels for Energy Programs by Farm Bill

	2014 Farm Bill (FY14-FY18)*		2018 Senate Farm Bill (FY19-23)*		2018 House Farm Bill (FY19-23)*	
	Mandatory	Discretionary	Mandatory	Discretionary	Mandatory	Discretionary
<u>Biomass Research and Development Initiative</u>	\$3,000,000 in FY14-17	\$20,000,000	\$3,000,000	\$20,000,000	\$0	\$20,000,000
Biobased Markets Program	\$3,000,000	\$2,000,000	\$3,000,000	\$3,000,000	\$0	\$2,000,000
<u>Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program</u>	\$100,000,000 in FY14 and \$50,000,000 in each FY15-16	\$75,000,000	\$100,000,000 in FY19, and \$50,000,000 in FY20	\$75,000,000	\$0	\$75,000,000
<u>Repowering Assistance Program</u>	\$12,000,000 in FY14	\$10,000,000	\$0	\$0	\$0	\$10,000,000
<u>Bioenergy Program for Advanced Biofuels</u>	\$15,000,000	\$20,000,000	\$15,000,000	\$15,000,000	\$0	\$50,000,000
Biodiesel Fuel Education	\$1,000,000	\$1,000,000		\$1,000,000	\$0	\$2,000,000
<u>Rural Energy for America Program</u>	\$50,000,000 (in perpetuity)	\$20,000,000	\$50,000,000 (in perpetuity)	\$50,000,000	\$0	\$20,000,000
<u>Biomass Crop Assistance Program</u>	\$25,000,000	\$0	\$25,000,000	\$20,000,000	\$0	\$25,000,000
Community Wood Energy Program	\$0	\$5,000,000	\$0	\$5,000,000	\$0	\$25,000,000
Rural Energy Self-Sufficiency Initiative			Program is Repealed		Program is Repealed	
Feedstock Flexibility Program for Bioenergy Producers			Program is Renewed		Program is Renewed	
Carbon Utilization Education Program			\$2,000,000	\$2,000,000		

*listed funding levels are for each fiscal year in the specified range except where noted

Biomass Research and Development Initiative

The Biomass Research and Development Initiative (BRDI) provides grants to companies, universities, and government research centers to research and develop (R&D) and demonstrate new ways to refine various types of feedstocks into biofuels or biobased chemicals and products. The Senate farm bill provides **\$3 million in mandatory funding each year FY19-23 and \$20 million in discretionary funding each year FY19-23, the same as the last farm bill. The House version of the bill provides no mandatory funding.**

While intended to support the next generation of biofuels derived from non-food sources and other renewable forms of energy, the farm bill energy title has also spent taxpayer dollars on the mature corn ethanol industry, supporting biomass sources with numerous unintended consequences, and even paying for updates to farmers' irrigation equipment and grain dryers. About two-thirds of the \$140.5 million awarded from 2009 to 2016 through BRDI subsidized the following types of biomass: general R&D for multiple types of biomass, woody biomass, and sorghum.

Biobased Markets

The goal of the BioPreferred Program according to the U.S. Department of Agriculture's website "is to increase the purchase and use of biobased products" derived from plants and renewable materials such as crops and forestry materials (think plastic forks made from corn).

The Senate bill provides \$3 million in mandatory funding each year FY19-23 and \$3M in discretionary funding each year FY19-23, up from \$2M in discretionary funding each year in the last farm bill. The House Bill provides no mandatory funding and \$2 million in discretionary.

Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program

Formerly the Biorefinery Assistance Program, the program is administered by the U.S. Department of Agriculture's (USDA) Rural Development office and is intended to provide grants and loan guarantees to producers of advanced biofuels or heat and power from various bioenergy crops and feedstocks. Companies can use the taxpayer-backed loans to develop, construct, or retrofit biorefineries and energy systems. Though the program was designed to spur the development of biofuels and bioenergy produced from non-food "second generation" crops, funding data suggests that at least one biodiesel facility using corn and soybean oil feedstocks has been considered for a loan guarantee. Some of the program's loan guarantee recipients have filed for bankruptcy since receiving funds, leaving taxpayers holding the bag for millions in losses.

The Senate's farm bill provides \$100 million in FY19 and \$50 million in FY20 for mandatory funding and \$75 million in discretionary funding each year FY19-23, similar to the last farm bill.

The House Bill provides \$75 million in discretionary funding each year FY19-23 and no mandatory funding.

Repowering Assistance Program

The Repowering Assistance Program, administered by the U.S. Department of Agriculture's (USDA) Rural Development office, reimburses biorefineries for using biomass sources like wood chips as a heat and power source instead of fossil fuels. In 2009, \$7 million of taxpayer funding was dispensed from the Repowering Assistance Program, all of which has been spent on two corn ethanol facilities – Lincolnway Energy, LLC in Iowa and Western Plains Energy, LLC in Kansas. The Repowering Assistance Program has failed to meet its stated goals of spurring the use of next generation biofuels and biomass sources, instead subsidizing the mature corn ethanol industry increasing taxpayer and consumer costs.

The House bill provides \$10 million in discretionary funding and is repealed in the 2018 Senate farm bill. The program received \$12 million in mandatory funding and \$10 million in discretionary funding in the 2014 farm bill.

Bioenergy Program for Advanced Biofuels

Established by an Executive Order in 1999, the Bioenergy Program for Advanced Biofuels (BPAB) is intended to pay advanced biofuels producers to expand their production levels by providing taxpayer subsidies to a range of facilities to increase annual production of biofuels. Over \$275 million in taxpayer dollars was dispensed from 2009 to May 2016 through the BPAB program via spending authorized in the 2008 and 2014 farm bills. Together, soy biodiesel and corn ethanol facilities were awarded over half of all BPAB funding even though the program was intended to spur production of next-generation advanced biofuels from non-food sources.

In the Senate's 2018 farm bill the program receives \$15 million in mandatory and discretionary funding each year FY19-23, down from \$15 million in mandatory funding and \$20 million in discretionary funding each year in the last farm bill.

The House bill provides \$50 million in discretionary funding each year FY19-23, and no mandatory funding.

Biodiesel Fuel Education

According to the USDA website, the Biodiesel Fuel Education program is intended to “stimulate biodiesel consumption and to stimulate the development of a biodiesel infrastructure.” Taxpayers should not be placed on the hook subsidizing outreach for private industry.

In the Senate's 2018 farm bill the program receives \$1 million in discretionary funding each year from FY19-23. The 2014 farm bill provided \$1 million in both discretionary and mandatory funding for each fiscal year.

The House bill provides \$2 million in discretionary funding each year from FY19-23.

Rural Energy for America Program

The Rural Energy for America Program (REAP) was created in the 2008 Farm Bill to provide federal grants and loans to renewable energy projects. While designed to primarily promote rural solar, wind, hydropower, geothermal, and similar projects, the program has also provided taxpayer subsidies to the mature corn ethanol industry.

The Senate's 2018 farm bill would continue baseline mandatory funding of \$50 million in each year and provide \$50 million in discretionary funding for each year FY19-23, up from \$20 million per year in the last farm bill.

The House version of the 2018 farm bill provides \$20 million in discretionary funding for each year FY19-23.

Biomass Crop Assistance Program

The Biomass Crop Assistance Program (BCAP) was intended to spur development of advanced biofuels derived from non-food and feed crops. The goal was to pay individuals and companies to plant perennial grasses, harvest agricultural residues, collect wood waste, store these forms of biomass, and then transport the materials to bioenergy facilities (next-generation ethanol facilities or heat and power biomass plants).

The Senate bill provides \$25 million in mandatory funding each year FY19-23, in addition to \$20 million in discretionary funding each year FY19-23; the 2014 farm bill provided the same amount of mandatory funding but no discretionary funding.

The House version of the farm bill provides \$25 million in discretionary funding for each year FY19-23.

BCAP was projected to cost \$70 million over five years after passage of the 2008 farm bill, but since Congress initially allowed a blank check to be written each year from taxpayers, the program cost taxpayers \$248 million just in FY2010. Worse yet, BCAP failed to incentivize the types of projects its proponents fought for just two years earlier (planting of grasses and trees). According to USDA, "94 percent of the matching payments were for the delivery of woody biomass (as opposed to herbaceous biomass)."

Community Wood Energy Program

The Community Wood Energy Program is a competitive grant program that is intended to help state and local governments pay for the installation of high-efficiency, biomass-fueled energy systems, such as combined heat and power (CHP).

The Senate's farm bill provides \$5 million in discretionary funding each year FY19-23, the same as funding provided in the 2014 farm bill.

The House bill provides \$25 million in discretionary funding each year FY19-23.

Rural Energy Self-Sufficiency Initiative

- Program repealed in both House and Senate versions of the 2018 farm bill.

Feedstock Flexibility Program for Bioenergy Producers

According to the USDA website the Feedstock Flexibility Program for Bioenergy Producers encourages “the domestic production of biofuels from surplus sugar. USDA will review the domestic sugar market every year and determine the level of sugar purchases needed to avoid forfeiture of CCC sugar price support loan collateral.” The House and Senate’s bills reauthorize the program through 2023.

