



# ELPC FARM ENERGY BACKGROUNDER

## Farm Energy Economic Recovery Proposal for Green Jobs and Clean Energy

December 15, 2008

The Environmental Law and Policy Center (ELPC) proposes a package of farm-based clean energy development recovery funding to help create jobs and jump-start our economy.

ELPC's recommendations for economic recovery would accelerate the development of, and markets for, wind and solar power, advanced biofuels production, biomass power and geothermal energy by focusing on the Federal Farm Bill's Energy Title. ELPC also proposes improvements to clean energy tax credits and bonds. Funding for these programs will boost employment for critical national energy infrastructure needs, generate much-needed tax revenue for local communities, restore rural economies and improve the environment.

### Increasing Funding for the Farm Bill Energy Title

We propose at least \$1 billion in funding annually for several of the Farm Bill's Energy Title programs. These programs have been tested and refined since 2002, have a constituency of rural stakeholders ready and able to implement programs, and are capable of delivering jobs and economic benefits in both the short and long run.

Rural Energy for America Program (9007) - REAP drives new investments in wind and solar power, energy efficiency, biogas digesters and farm-scale bioenergy production. Popularity currently exceeds available resources by a 3-1 margin. We recommend an investment of \$350 million per year for two years, together with increasing the federal cost-share for REAP grants from 25% to 50%. These changes have the potential to create up to 35,000 jobs (based on a 2004 USDA analysis of this program).

ELPC's proposals to expand REAP make sense because:

- REAP is the most popular program in the Energy Title (measured by # of projects). More than 2000 clean energy projects have received awards since 2003 in nearly every state, and all states have tremendous potential for many more REAP projects.
- The 2008 Farm Bill expanded REAP in several ways, such as by adding energy audits, a set-aside for feasibility studies, and higher loan guarantee limits.
- Other Farm Bill programs have much higher grant cost-share limits than REAP; for example, EQIP has a 75% to 90% federal cost-share, and the Value-Added Producer Program has a 50% cost share.) The larger federal share is especially necessary during our difficult economic times.

Biorefinery Assistance (9003) – Provides financing for loan guarantees to construct commercial-scale advanced biofuels facilities and grants for demonstration projects. We recommend at least \$250 million per year in additional funding for this program.

Repowering Assistance (9004) – Helps existing ethanol plants convert their heating and power systems from fossil fuels to biomass fuels. Key to reducing ethanol's carbon footprint and increasing sustainability. We recommend at least \$150 million per year.



# FARM ENERGY ECONOMIC RECOVERY PROPOSAL

Rural Energy Self-Sufficiency Initiative (9009) - Helps rural communities plan and assess ways to decrease fossil energy use, increase renewable energy use as well as develop and install renewable energy systems. We recommend at least \$20 million per year.

Biomass Crop Assistance Program (9011) – Helps farmers to produce and process the first generation of dedicated sustainable energy crops for heat, power or fuels. BCAP can help develop long-term, large-scale and low carbon feedstocks for cellulosic ethanol. It can complement the Biorefinery Assistance program. We recommend \$250 million/year.

Community Wood Energy Program (9013) – Provides financing to municipalities to offset the planning and purchase costs for wood energy heating and power systems in their facilities. This can help “Fuels for Schools” and other local public efforts to lower carbon footprint and develop biomass markets. We recommend at least \$20 million/year.

## **Expanding Successful Clean Energy Bonds**

Extend and Increase Bonding Authority for Clean Renewable Energy Bonds (“CREBs”) and Qualified Energy Conservation Bonds – these programs allow electric cooperatives, public power systems, and municipalities to issue bonds to finance new renewable energy power systems and invest in energy efficiency. For renewable power systems, the incentive is similar in value to the production tax credit (PTC) available to private developers and investor-owned utilities.

Our proposal increases bonding authority for CREBS from \$800 million to \$3.2 billion to keep pace with growing demand, extends CREBs by an additional year and extends the Qualified Energy Conservation Bonds through 2010.

## **Extending and Improving Clean Energy Tax Credits**

Rural renewable power production would benefit greatly from an extension of the federal Production Tax Credit and Investment Tax Credit, with several improvements to make them available for use by small and community-based investors, including:

- Extend the PTC for at least five years to provide a long-term, predictable credit and avoid ruinous “boom-and-bust” cycles for wind and other renewable energy.
- Restructure all PTCs and ITCs to allow for accelerated depreciation, refundable credits and transfers between persons/entities, and to enable projects to utilize other financial incentives without a reduction in the amount of ITC and PTC that an entity can claim.
- Allow credit against active income – The National Renewable Energy Laboratory (NREL) estimates that community wind projects contribute twice the jobs and income to a local community as larger wind plants financed by outside investment. However, under current regulations, passive income (income resulting from investment, not labor or wages) has to be quite large to fully use the credit. Regulations should be changed to allow for local wind investment projects to count against active income of the local investors, removing this unanticipated distortion of wind power markets.

*For additional information please contact Kerri Johannsen [kjohannsen@elpc.org](mailto:kjohannsen@elpc.org)/515-441-1882, or John Moore, [jmoore@elpc.org](mailto:jmoore@elpc.org)/312-795-3706*



# FARM ENERGY ECONOMIC RECOVERY PROPOSAL