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Overview of the 2007 USDA Farm Bill Proposals for Energy

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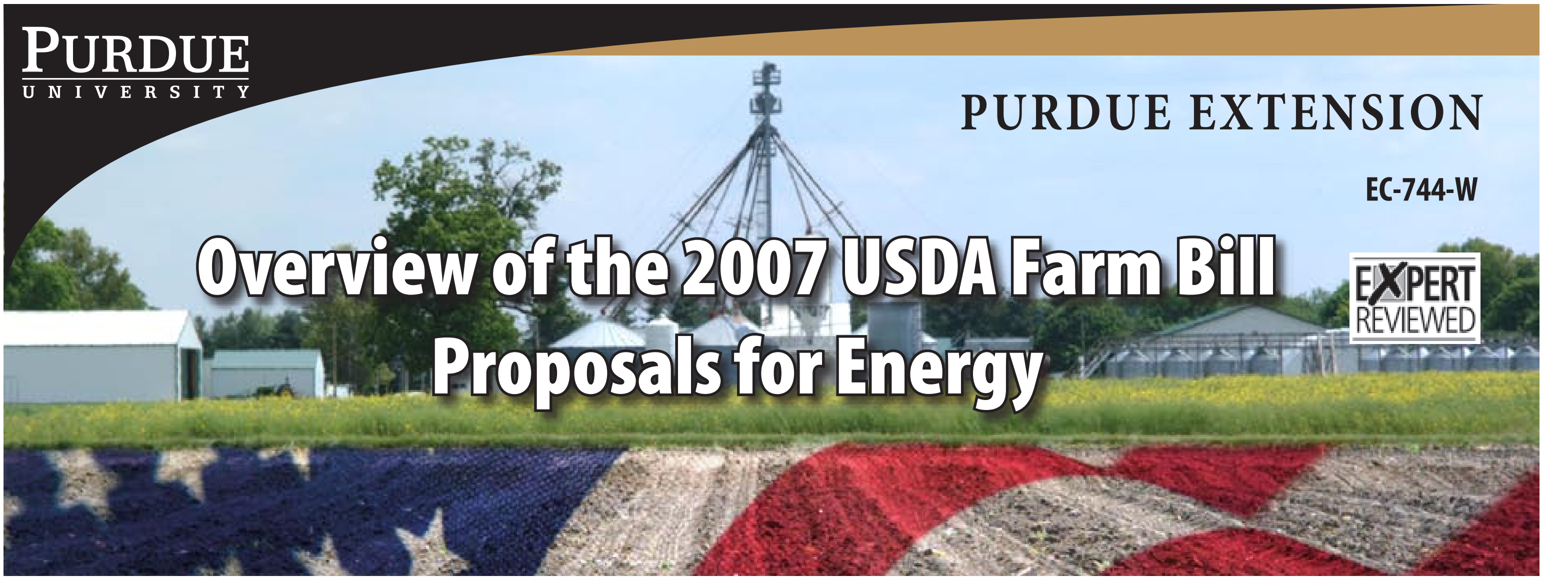

Overview of the 2007 USDA Farm Bill Proposals for Energy

EXPERT REVIEWED

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The Energy Title proposed by the Administration for the Farm Bill is very modest in cost and potential impact. The concern about this proposed USDA farm bill title is that it is likely to become the Christmas tree for all bioenergy proposals, regardless of their cost effectiveness. This title also relates to the long-term historical division of responsibility between the Department of Energy and what it does in the bioenergy area and what USDA sets out to do.

During the late 1970s and early 1980s, large amounts of money were spent by DOE for alternative energy and conservation, while USDA did the portion of this that was most closely related to agriculture. Previous agreements between USDA and DOE outlined areas of joint and individual work with respect to biofuels and to conservation in the food and agricultural sector. The Department of Energy's Energy Extension Service was created on the model of the Agricultural Extension Service. Current budget proposals for energy that relate to agriculture and the food system are very modest for both DOE and USDA in comparison to what was committed in the early 1980s, much of which was from DOE.

Interest in the Title

Immediately after the Secretary of Agriculture laid out the Administration's Farm Bill, those involved in and concerned with biofuel development made it clear that this title of the Farm Bill would be the vehicle for greatly expanded subsidization of biofuels—from corn based ethanol to cellulosics. This reflected the very modest commitments in these areas in the DOE budget, with little prospect of increasing commitments in these areas from DOE.

Outline of the Administration Proposal

1. Provide $100 million in direct support to producers of cellulosic ethanol. This would be $25 million annually to "share the cost of biomass feedstocks used by cellulosic ethanol producers" over a four-year period.
2. Improve and expand the biobased products market ($18 million over 10 years).
3. Reauthorize the Renewable and Efficiency loan guarantee program ($2.17 billion over 10 years) and the Grant program ($500 million over 10 years).
4. Add a biomass reserve program to the Conservation Reserve Program (CRP)—whole field enrollment for lands producing biomass for energy.
5. Increase annual competitive grant funding for cellulosic ethanol research ($150 million for 10 years).
6. Expand USDA and university research funding for bioenergy/bioproducts ($500 million over 10 years) linked to USDA rural development bioenergy activities.
7. Encourage forest wood to energy with mandatory funding for Forest Service research ($150 million over 10 years).

Final Comments

The energy title of the Farm Bill contains two kinds of program thrusts:

- First, support for research to improve technologies for the production of ethanol and other biofuels, especially from cellulosic materials.
- Second, incentives for construction of new energy plants and/or production of such biofuels.

Additional support to advance new technologies and pilot scale production is certainly necessary. However, the amounts contained in the Administration's proposed title are insufficient for the renewable fuels expansion timetable that the Administration has laid out.

This title is already seen as the place to enlist financial support from the federal government by all desiring support for biofuel development and production. The recent action plan of the group "25X25" indicates a desire for funding in this area in excess of $60 billion (*Wall Street Journal* article of 2/28/07, p.6). The recent DOE grants of $385 million to 10 cellulose-based ethanol production facilities do not appear to be the most cost-effective way to move us towards industrial scale cellulose based ethanol production.

A hodgepodge of incentives for new plants and for the provision of biomass feedstocks should be avoided until there is some kind of integrated analysis that examines different alternative strategies to determine what sorts of incentives will accomplish private sector risk reduction and get the job done in a cost-effective way for the taxpayer.

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