

Farm-Based Renewable Energy: Federal Funding Opportunities

Agricultural Renewable Energy Forum

December 3, 2008

Scott Collins, USDA RD



Committed to the future of rural communities.

2008 Farm Bill

Title IX - Energy

- Farm Bill's name – Food, Conservation and Energy Act of 2008 – underscores the close linkage of energy and agriculture
- Renews and amends several provisions of 2002 Farm Bill energy title
- Adds new programs



Section 9007 - Renewable Energy for America Program (REAP)

- F/K/A REEG, or Section 9006
- Matching grant/loan guarantee program for renewable energy systems and energy efficiency improvements on farms and rural small businesses



Eligible Projects

- Energy efficiency improvements to existing buildings, facilities or processes
- Renewable energy systems:
biomass/bioenergy, anaerobic digesters,
geothermal, wind, solar, hydrogen
- New in 2008: micro-hydro, ocean tides



Eligible Applicants

- Farms that receive over 50% of their GROSS income from the farm operation
- Rural Small Businesses that meet SBA standards for Rural and Small Business. Farms that don't meet the definition of a farm can be a rural small business
- Residences are excluded



Funding Options

- Grants: no more than 25% of total project cost; maximum grant \$500,000 for renewable energy, \$250,000 for EE
- Guaranteed loans: up to 75% of total project cost, \$25 million maximum
- Combination grants/guaranteed loans: up to 75% of total project cost, up to \$25MM



Eligible and Ineligible Uses of Funds

- Eligible - purchase and installation of equipment, construction or improvements, retrofits, energy audits, feasibility studies
- Ineligible – Residential systems, used equipment, ag production expenses, projects started before application is submitted



FY 2008 NY Awards

- 27 applications, 16 awards. 16 grants: **\$1,627,081**; one loan guarantee: **\$17,500**
- 8 solar photovoltaic, 1 solar thermal
- 3 anaerobic digesters
- 3 energy efficiency
- 1 small wind



Total NY Awards 2003-2008

- 58 projects, nearly \$8.1MM in grants
- 19 digesters
- 16 solar (PV and thermal)
- 15 energy efficiency improvements
- 5 wind turbines
- 3 biomass/bioenergy



NY Bioenergy Projects

- W.J. Cowee – conversion of kiln heating system to wood-fired system
- Northern Biodiesel – construction of first commercial (5 MM GPY) biodiesel plant in NY (also received separate loan guarantee)
- Mary Dolan – Installation of farm-scale biodiesel production system



Funding Levels

- “Mandatory” funding levels set:
 - \$55MM 2009
 - \$60MM 2010
 - \$70MM 2011 and 2012
- Discretionary funding of \$25MM/year
- Historic levels: \$23MM/year 2003-7; \$36MM 2008



Section 9011 – Biomass Crop Assistance Program (BCAP)

- Provides direct support for growers to establish and produce eligible renewable biomass crops for conversion to bioenergy
- Also assists with costs of collection, harvest, storage and transportation of material to conversion facility



BCAP Project Sponsor

- Program will require “project sponsor”: groups of producers or a biomass conversion facility
- Contracts awarded to producers in a “project area” delineated by the project sponsor that will use the biomass material
- Project sponsor must demonstrate that biomass conversion facility will be in operation in time to utilize crops being planted under contracts



BCAP Contracts

- Up to five years for annual and perennial crops; up to 15 years for woody biomass
- Exclusions: land with CRP, WRP or GRP contracts
- Will require conservation plan, HEL and wetlands compliance



BCAP Cost-Share Amounts

- Payments up to 75% of crop establishment costs for eligible perennial crops or site prep and tree planting on private forest lands; payment amounts determined by Secretary
- Payments matching dollar-for-dollar the biomass conversion facility's payments for materials: up to \$45 per ton for two years for collection, harvest, storage and transportation costs



BCAP

- Funding: “Such sums as are necessary”
- New program – not yet implemented
- Will be administered by Farm Service Agency
- Can’t predict when program rulemaking will be complete –possibly begin 2009, more likely 2010



Section 9005 – Bioenergy Program for Advanced Biofuels

- Provides funding support for producers of advanced biofuels – biofuels produced from renewable biomass other than corn starch
- Includes biofuels made from waste material, crop residues, waste fats and oils, and biogas



Section 9009 – Rural Energy Self-Sufficiency Initiative

- Funds for rural communities to assess the total community energy use, identify energy savings options, and “to develop and install an integrated renewable energy system.”
- Possible uses: develop community-owned wind project; form heating district



Section 9013 – Community Wood Energy Program

- Funds to plan and implement heat and/or electricity supply systems primarily for public facilities – schools, municipal buildings, libraries, etc.
- Requires at least 50% matching funds
- Authorized funding of \$5MM per year



Value-Added Producer Grants

- Also renewed with some changes in 2008 Farm Bill
- Basic purpose unchanged: to provide matching grant funds for agricultural producers to plan and implement value-added ventures



What's Value-Added?

- Agricultural producers receiving a greater portion of consumer dollars by:
 - Processing raw commodities that they produce
 - Producing and/or marketing their products in a way that enhances their value (ex: organic)
 - Using farm resources to produce farm-based renewable energy



VAPG Examples

- Examples of funded NY projects:
 - Grape (and fruit) growers opening wineries
 - Dairy producers making yogurt, cheese, or ice cream for wholesale and/or retail customers
 - Corn growers examining feasibility of ethanol plant
 - Nursery/greenhouse wholesale growers developing retail marketing outlet or branding products
 - Potato grower making regional brand potato chips
 - Vegetable growers developing group marketing system



Eligible Applicants

- Independent Producers, including groups of farmers with a legal entity (partnership, LLC, corp) for marketing
- Ag producer groups - state associations, etc.
- Ag co-operatives
- Business ventures controlled (51% or more) by independent producers



Uses of Funds

- Planning funds – to fund a feasibility study and develop a business plan
- Working capital funds – to pay employees to produce or sell value-added products, purchase supplies, advertise, purchase supplemental product, etc.

Renewable Energy Uses of VAPG Funds

- Funds to explore the feasibility of an on-farm renewable energy system
- Working capital funds – if renewable energy venture needs more raw product (e.g., grass for pelletizing) than the farm can produce, use funds to purchase inventory – but only if farm supplies more than 50% of raw product



Business & Industry (B & I) Loan Guarantee Program

- Loan, not grant – sorry
- Program guarantees private sector loans to rural businesses for wide variety of projects, including renewable energy ventures
- May convince otherwise reluctant lenders to make loans; bargaining tool for more favorable interest rates. RD doesn't set rates



B & I Program

- Loan amounts generally start at \$250,000, though some are smaller
- Up to \$5MM: 80% guarantee
- \$5-10MM: 70% guarantee
- \$10-25MM: 60% guarantee

