AGEC Agriculture Energy Coalition

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AG ENERGY COALITION POLICY RECOMMENDATIONS 2021

The Agriculture Energy Coalition ("AgEC") represents a diverse set of interests in agriculture and renewable energy, such as farmers, advanced biofuel and bio-based manufacturers, clean tech, rural lenders, and environmental NGOs.

We strongly support Congressional action on items below due to economic challenges and the urgent need to stem the climate crisis. Agriculture, renewable energy, bio and clean tech, and related sectors are hurting like the rest of America, with businesses laying off workers or worse. COVID relief provisions passed and those to come are exceptionally important; yet programs like the PPP do not adequately address sustainability challenges for our future.

Stimulus, infrastructure, appropriations and budget reconciliation legislation must be ag and climate smart. The following recommendations easily meet both criteria, saving and creating key jobs of the 21st century at modest cost to the Federal Treasury. Please consider these proposals as you craft appropriate and timely climate, agriculture and energy legislation.

1. **Provide USDA REAP at least $2.5 billion over 10 years, including a financial infusion up front. Include funding for a new renewable energy grants "Reserve Fund" for Underserved Technologies and more funding for the new Renewable Energy Grants Pilot Program dedicated to similar goals.** This will help agriculture deploy renewable and energy efficient technologies while helping farmers, rural energy manufacturers and businesses. REAP grants are historically oversubscribed by significant margins (e.g., 3 to 1), and this infusion of funds would quickly bolster jobs, economic relief and climate change mitigation. Require that the funding include a reserve fund of a minimum 15% for renewable grants to "underserved technologies" to bolster technology diversification and provide economic opportunities to producers and businesses seeking to use the full suite of renewable technologies such as biogas, distributed wind power, and small hydro. USDA can implement this new directive and knows of the current limitations of the program without it. Increase cost share to 50% for all REAP grants - when additional funding is provided. In addition, consider additional funding for USDA's soon-to-be-announced renewable energy grants pilot program, which only has $10m from the prior fiscal year ag appropriations bill.

2. **Increase to 90% REAP Loan Guarantee for any loan amount under $1m.**
The REAP program has been very successful in accelerating development and deployment of renewable energy systems in rural America; however, the majority of loan guarantee funding has been directed to larger projects with larger entities/off-takers. Rural small businesses have not had the same access to REAP due to perceived higher risk of the payor (borrower) over the length of time required to make renewable energy cost effective – typically 15 years or longer. Increasing the guarantee percentage will mitigate lender risk and increase deployment of renewable energy systems to producers and small businesses.

3. **Extend clean energy tax credits, such as the ITC (48 AND 25D), at the full 30% for multiple years as well as the PTC (45) and Biofuels Tax Credits such as the 2nd Gen Biofuel Producer Credit.** These are necessary to provide a shot in the arm to renewable and clean energy manufacturers and installers, especially small businesses. They will provide a vital signal to companies, private equity markets, consumers, and homeowners that the country remains serious about sustainable energy deployment, distributed generation, "beneficial electrification," jobs, climate change, and lower energy costs. Recent reports show that job impacts in this market segment have been significant and could set back the ambitious climate goals of the new Administration and many in Congress.

4. **Provide USDA with Additional RD Funding and Authorities to Improve Staffing Resources and Streamline Financing**.
This support would help to provide reduced fees for financing, increased staffing, and encourage USDA to rapidly advance capital support to energy applicants, increasing economic development in rural communities. While USDA has implemented the 1RD Rule and other staffing changes to offset time lags for approving applications in a timely manner, USDA should be directed to streamline in particular the applications process for REAP and B&I where possible. USDA requires more research and development funds as well to provide more use of biomass and waste feedstock resources and for the development of agricultural value-added products.

5. **Modernize and Speed Up the Biorefinery Assistance, Renewable Chemical and Biobased Product Manufacturing Program.**
This program is on the cusp of doing great things for rural America. It fills a gap in financing for cutting-edge biomanufacturing technologies. However, it needs to be updated and should be before the next farm bill. We have 3 simple recommendations. 1. Change the definition of advanced biofuel to include any fuels other than corn ethanol rather than anything from corn kernel starch. This will help the program support innovative new fuels and align the definition of fuels with the existing definition for bioproducts and chemicals. 2. Add in a grant component and provide significant additional funding for an integrated demonstration unit trial for biorefineries, in addition to loan guarantees, which would fill the gap in financing between pilot-scale and commercialization. 3. Direct USDA to speed up/streamline 9003 applications further as numerous opportunities exist for awarding guarantees that have been delayed beyond reasonable timeframes.

6. **Modernize the Advanced Biofuel Payment Program.**
As mentioned in #5, the program also unnecessarily prevents support to new sustainable fuels by feedstock. The language is outdated and counter-productive. There are new biobased fuels coming "online" that offer public benefits that should be eligible. There is a very simple fix, again as noted in 5 above.

7. **Increase Funding for and Modernize the "BioPreferred" Program**.
This program should be "unleashed" further in a variety of ways. For one, the program is hampered by inadequate funding. Other "green" procurement programs, such as EPA Energy Star, have as much as 10-20x the funding. This program has been mirrored by some States and countries because they recognize its value. Funding should go toward the program: to conduct consumer outreach/marketing/research, institute regular studies to gauge economic and environmental impact, implement and educate around forthcoming NAICS codes, AND to clarify/direct USDA, with GSA, in cooperation with the OFPP to take quick steps to install a robust data system to report purchases of biobased products. The law and/or regulations should be updated to modify the "off-ramp" based on price so that any product identified by USDA up to a 10% cost premium is purchased by Federal agencies, etc.

8. **Replenish Funding for the Business & Industry Loan Program.**
The B&I program is a key component of USDA's energy work and lending authorities. Due to the program's popularity, and in the wake of the 1RD rule, the program will exhaust funding availability this year (perhaps by 2nd Qtr 2021). Without an additional allocation ASAP, a flagship program of USDA RD will be shuttered exactly when the economic ravages of COVID-19 are peaking. Loan authority should be increased by another $1 billion and guarantee fees of no greater than 3%.

9. **Carbon Utilization And Biogas Education Program Funding.**
The 2018 farm bill authorized a new program that has yet to be funded, which is a problem. Funding was authorized at $2m/yr. This small investment will enable USDA to better educate farmers about the GHG savings and soil benefits from biogas systems. The Coalition supports full funding and urges USDA to support the program as well.

10. **USDA Should Make Sustainable Aviation Fuels a Priority Area of Emphasis Agencywide.**
SAF fuels are going to be essential to mitigating climate change in this sector. SAF comes mostly from renewable biomass. USDA should promote SAF via the Biorefinery Assistance Program generally, include it as a priority within the Biomass R&D Board activities, and consider re-instating and improving the former "Farm to Fly" Initiative, collaborating with the private sector and across the Federal government, particularly DOE and DOT. DOE in conjunction with USDA should soon offer SAF grants to fledgling SAF producers, feedstock neutral, for commercialization investments, and based on key public benefits, e.g., GHG emission reductions, utilization of renewable energy, and sustainable agriculture enhancements.

11. **USDA Should Prioritize the Critical Role of Biomass in Forest Management and Wildfire Risk Reduction.**
Across the country, forest management produces fiber that cannot be used to make high-value forest products like lumber. Utilization of the wood cleared out of forests or discarded as a byproduct is not only resourceful, but also reduces carbon and other GHGs released into the atmosphere through open burning or wildfire. Biomass power facilities take on many tons of low-value fiber that cannot be used otherwise. Particularly important in areas with a high risk of wildfire like the Western US, biomass power also supports rural economies that rely on forestry and agriculture. Biomass power facilities should be incentivized to utilize low-value fiber cleared out of forests to promote forest health. This support would apply only to biomass power facilities that meet the high sustainability requirements set by the U.S. Forest Service.

12. **USDA Should Consider Use of the CCC to Support Innovation in Low Carbon Renewable Energy.**
The CCC is a longstanding and very constructive tool to support agriculture, and it has been used in the past for energy infrastructure in rural America. USDA should seriously consider deploying CCC as a grant-making mechanism to support and/or supplement existing programs like REAP and perhaps going beyond such programs to provide cost-sharing opportunities to farmers, as well as renewable energy businesses, to build new income streams via, for example, SAF production, advanced biofuels, on site renewable electricity, bioproducts, as well as carbon sequestration.