



## **National Farmers Union Spring Legislative Fly-In April 12-14, 2011**

- Biofuels Infrastructure Expansion
- Clean Air Act
- Clean Energy Standard and Local Ownership
- Farm Bill Energy and Conservation Programs
- Pesticide Regulation and the Clean Water Act

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# Biofuels Infrastructure Expansion

## Background

Thanks to successful policies such as the Volumetric Ethanol Excise Tax Credit (VEETC) and the Renewable Fuel Standard (RFS), ethanol production is at a high enough level to offset the use of a significant amount of oil. However, even though supply of ethanol has increased, demand has not kept pace because of the lack of choice in the marketplace. Consumers must be given the opportunity to choose a higher blend of American-produced, environmentally friendly ethanol at the pump. The build out of infrastructure for biofuels is critical in achieving an even playing field with imported oil.

### Key Points of Securing America's Future with Energy and Sustainable Technologies Act (SAFEST)

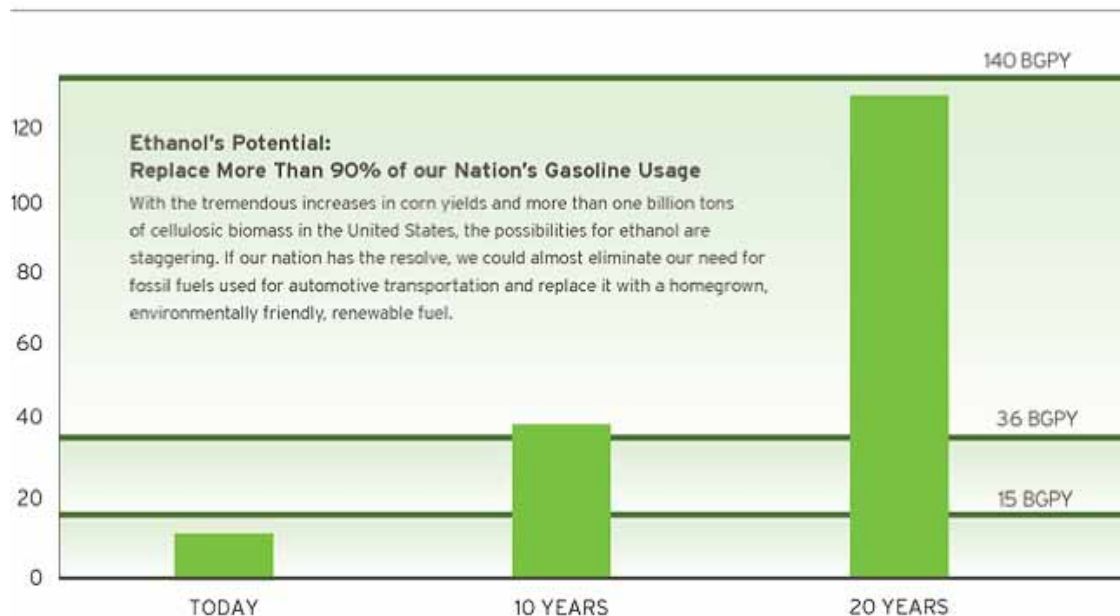
- Introduced by Senators Klobuchar and Johnson
- Establishes a tax credit for blender pumps
- Requires (after 2013) new fuel pumps to be “blender pumps”
- Establishes requirements for automobile manufactures to produce a percentage of vehicles that utilize technologies and fuels that reduce direct fossil fuel consumption such as E85
- Establishes loan guarantees for projects to construct renewable fuel pipelines
- Extends VEETC for four years at \$0.20 per gallon, which would be phased out by the fifth year
- Establishes a national renewable electricity standard of 25 percent by 2025

## E15

The Environmental Protection Agency (EPA) recently announced a waiver for E15 blends to be used in automobiles for model years 2001 and newer. This is in line with significant scientific evidence that shows no decreased engine performance from using higher blends of ethanol. However, recent congressional proposals seek to block funds for the EPA to implement the waiver.

If we are to meet the RFS goal of producing 36 billion gallons of biofuels by 2022, EPA must be allowed to implement the waiver in order for the biofuels industry to continue developing beyond the blend wall.

## Potential Growth





# Clean Air Act

## **Background on Regulation of Greenhouse Gas Emissions and Particulate Matter**

EPA's endangerment finding that greenhouse gases are a threat to public health and welfare continues to be challenged through multiple avenues. Multiple pieces of legislation have been offered which would limit EPA's authority, funding or both.

EPA also currently has National Ambient Air Quality Standard (NAAQS) regulations pending which would change both the format and stringency of the coarse particulate matter (PM) NAAQS. EPA has discussed a possible change in the format of the NAAQS from a 24-hour average 150 microgram per cubic meter ( $\mu\text{g}/\text{m}^3$ ) level with a one exceedance per year format to a level of 85  $\mu\text{g}/\text{m}^3$  with a 98th percentile format. EPA has suggested that these two formats are roughly equivalent and would allow EPA to convert the coarse PM standard to a format consistent with other air pollutant NAAQS.

## **NFU Supports the Clean Air Act**

Rewarding family farmers for making good environmental choices should be a top priority in farm policy, since society benefits from farmers who adapt farming practices that enhance environmental quality. It is counterproductive to financially penalize farmers. Offering farmers financial incentives to participate proactively in EPA's mission is a more logical option.

While NFU is supportive of the Clean Air Act, production agriculture should be exempt from the regulating of greenhouse gases and particulate matter. Many areas of production agriculture are naturally dry, dusty places where increased particulate matter regulation would have little to no environmental benefit. Agriculture should also be a stakeholder in research and education about the role of agriculture production in particulate matter emissions.

The same is true for regulating GHGs from agriculture. NFU prefers a legislative approach where farmers can actively participate in a carbon offset program. NFU favors a national, mandatory system to reduce nonfarm greenhouse gas emissions if the following conditions are met:

- USDA administers any agriculture offsets;
- Early actors are recognized;
- No artificial cap is placed on domestic offsets;
- Carbon sequestration rates are based upon science; and
- Producers are permitted to stack environmental benefit credits.



# Clean Energy Standard and Local Ownership

## Background

President Obama called for a Clean Energy Standard (CES) in his State of the Union address. The standard would require utilities to generate 80% of their electricity generation from clean sources by 2035.

### What is “Clean” Energy?

NFU maintains that clean energy resources should be defined based on the capacity to reduce/offset GHG emissions. Sources that are carbon neutral or negative should be given priority over sources that are net carbon emitters.

### 25x’25

NFU continues to push for the U.S. to consume 25% of its total energy use from renewable sources by 2025. A CES would thus need to include a sizeable percentage of renewable energy.

### Local Ownership and Rural Development

Local ownership of renewable energy sources is a significant boon to local economies. The profits generated from renewable energy production are recycled back into the community and result in increased economic activity and job creation. A CES must include provisions promoting local ownership of renewable energy.

Rural communities have long relied on agriculture as the backbone of economic development. Renewable energy presents a golden opportunity for rural development by creating additional revenue streams on farms and increased jobs in rural communities.

## Community Wind: A good example of local benefits of renewable energy

**Saving the Family Farm:** The number of traditional farmers is declining. Wind energy allows farmers to stay on their farm by providing an additional revenue stream. By owning a share of the wind project, farmers gain additional financial benefits beyond a simple lease agreement. And by involving farmers in the wind farm’s development, members of rural communities learn important and useful skills in energy development. A study by Oregon State University shows that local ownership of wind turbines results in five times the annual projected income compared to entering into a land lease agreement

**Rural Economic Development:** Ownership is retained in the community and profits are recycled, creating incremental jobs, wages, business income and local pride. A National Renewable Energy Laboratory study shows that locally owned wind projects generate 2.6 times more jobs and 3.1 times more rural economic benefit than those with outside ownership.

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# Clean Energy Standard and Local Ownership

## National Benefits

**Economic Activity in America:** Profits from community wind projects are put back into the American economy because community wind developers and their financial partners are generally U.S. based

**Energy Security:** The U.S. is over-reliant on central-power stations and high voltage transmission lines. Events such as recent rolling blackouts in Texas due to a winter storm that caused 50 large plants to lose power show that distributed generation is the way forward. Locally produced and distributed energy will ensure a more reliable form of energy production. Further, since Community Wind farms typically connect to the existing transmission and distribution grid, and since they do not require new lines to be built or expensive upgrades, these distributed projects make more efficient use of our existing infrastructure.

**Price Stability:** The price of electricity produced by wind is fixed whereas the price from fossil fuels can vary significantly. This volatility gets passed through directly to the farmers and other energy users who need the energy cost certainty the most to build stable businesses.

## NFU Investment Credit Proposal

Make wind projects of less than 20 megawatts (MW) eligible for the solar, small wind, and geothermal 30% business investment tax credit. The American Wind Energy association defines all wind farms that are less than 20 megawatts as community wind, so long as they meet certain community support or community benefit criteria.

Small-scale community wind projects face challenges such as higher up-front costs and how to finance the project. This proposal would:

- Allow community wind projects to utilize the same 30 percent federal business tax credit that solar, geothermal, and small wind properties now receive
- Enable small-scale (under 20 MW) community wind projects to be developed by local residents
- Allow farmers, ranchers, and community businesses to generate their own renewable electricity for use in their operations



# Farm Bill Energy and Conservation Programs

## The Issue

The 2008 Farm Bill contains 37 programs without baseline funding beyond 2012. Of these programs, 8 are energy programs and 5 are conservation programs

### CBO Baseline Score in March 2010

Energy / Cost to extend (\$ million, 5 years)	Conservation / Cost to extend (\$ million, 5 years)
Biobased Markets Program \$9	Wetlands Reserve Program \$2,590
Biorefinery Assistance \$320	Grassland Reserve Program \$274
Repowering Assistance \$35	Voluntary Public Access and Habitat Incentive Program \$50
Bioenergy Program for Advanced Biofuels \$300	Small Watershed Rehabilitation Program \$100
Biodiesel Fuel Education Program \$5	Desert Terminal Lakes \$175
Rural Energy For America Program (REAP) \$255	
Biomass Research and Development \$118	
Biomass Crop Assistance Program \$836	
<b>Subtotal \$1,878</b>	<b>Subtotal \$3,189</b>

## Energy Programs

The 8 energy programs are currently helping to create additional revenue streams for farmers and spur economic development in rural communities. At a time when economic realities provide incentives for rural residents to move into cities, Farm Bill energy programs are keeping high skilled jobs in rural America.

**Biorefinery Assistance:** Grants and loan guarantees to help build advanced biorefineries; critical to jumpstart advanced biofuels production.

**Bioenergy Program for Advanced Biofuels:** Incentives for next generation biofuel production.

**Rural Energy for America Program (REAP):** Grants and loan guarantees for energy efficiency and renewable energy of all sorts. Also includes support for feasibility studies and energy technical assistance.

**Biomass Research and Development:** New investments for biomass fuel and power research and development to improve bioenergy.

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**Biomass Crop Assistance Program (BCAP):** A first-ever energy crop program to help encourage farmers to grow sustainable energy crops such as switchgrass.

**Repowering Assistance:** A new program, Rural Repowering, assists boilers at biofuels plants to burn energy crops instead of coal, cutting pollution and creating new markets for energy crops.

**Biobased Markets Program:** Continues the federal preference for procurement of biobased products and the biobased products labeling program.

**Biodiesel Fuel Education Program:** Education and outreach on biodiesel use.

## Conservation Programs

Farm bill conservation programs reward stewardship, discourage speculative development of fragile land resources and strengthen family farming. Rewarding family farmers for making good environmental choices should be a top priority in farm policy, since society benefits from farmers who adapt farming practices that enhance water quality, wildlife habitat, energy conservation, biodiversity and carbon sequestration.

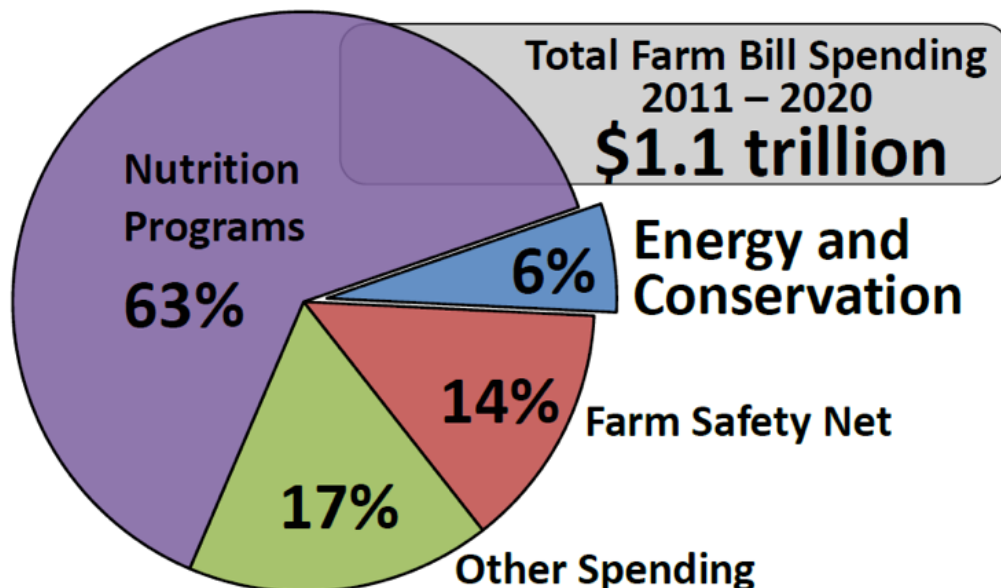
**Wetlands Reserve Program:** A voluntary program offering landowners the opportunity to protect, restore, and enhance wetlands on their property. The USDA Natural Resources Conservation Service (NRCS) provides technical and financial support to help landowners with their wetland restoration efforts.

**Grasslands Reserve Program:** A voluntary conservation program that emphasizes support for working grazing operations, enhancement of plant and animal biodiversity, and protection of grassland under threat of conversion to other uses.

**Voluntary Public Access and Habitat Incentive Program:** Provides grants to encourage owners and operators of privately-held farm, ranch, and forest land to voluntarily make that land available for access by the public for wildlife-dependent recreation, including hunting or fishing

Small Watershed Rehabilitation Program: assists with the rehabilitation of aging project dams.

**Desert Terminal Lakes:** provides funds to supply water to at-risk natural desert terminal lakes.



Statistics courtesy of Congressional Budget Office, March 2010 Projections. Figures are rounded.



# Pesticide Regulation and the Clean Water Act

## Sixth Circuit Background

Based on the 6th Circuit Court ruling in the National Cotton Council v. EPA case, the Environmental Protection Agency (EPA) and delegated states are required to establish permit programs under the Federal Clean Water Act (CWA) for aquatic pesticide applications.

The proposed permit means further unfunded mandates on already struggling governments, and it creates additional red tape, squeezing existing resources and threatening added legal liabilities. The permit's complex compliance requirements will impose tremendous new burdens on small businesses, farms, communities, counties and state and federal agencies legally responsible for pest control.

The 6th Circuit Court recently granted a 6-month extension until Oct. 31, 2011. While this is welcome news, it does not change the urgency to pass legislation to fix the underlying problem of regulatory redundancy and burden with no accompanying environmental benefit.

## Current Situation

Pesticides play an important role in protecting the nation's food supply, public health, natural resources, infrastructure and green spaces. They are used not only to protect crops from destructive pests, but also to manage mosquitoes and other disease carrying pests, invasive weeds and animals that can choke our waterways, impede power generation and damage our forests and recreation areas.

Since the inception of the CWA in 1972, pesticide applications have been addressed under the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), which regulates pesticides and addresses water quality concerns. Imposing a national pollutant discharge elimination system (NPDES) permit in addition to FIFRA regulation will not provide additional environmental benefits.

A bipartisan Congressional response to this situation is currently underway. Recently passed in the House of Representatives, HR 872 is a bipartisan bill aimed at reducing the regulatory burden and duplication posed by the court mandate. The Senate must act before the court's extended deadline of Oct. 31, 2011.

## NFU Position and Action Item

NFU supports FIFRA as the primary regulatory act for applications of pesticides and insecticides by farmers and ranchers. We urge Congress to act before the permit becomes final this year.