Developing State Policies Supportive of Bioenergy Development

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Abstract

Working within the context of the Southern States Biobased Alliance (SSBA) and with officials in each state, the Southern States Energy Board (SSEB) is identifying bioenergy-related policies and programs within each state to determine their impact on the development, deployment or use of bioenergy. In addition, SSEB will determine which policies have impacted industry's efforts to develop, deploy or use biobased technologies or products. As a result, SSEB will work with the Southern States Biobased Alliance to determine how policy changes might address any negative impacts or enhance positive impacts.

Introduction

The Southern States Energy Board (SSEB) is an interstate compact that includes 16 southeastern states and Puerto Rico and the U.S. Virgin Islands. One of the Southern States Energy Board's goals over its 40-year life is to "... develop, promote, and recommend policies and programs on energy and environment that encourage economic development." The Board accomplishes this goal primarily through a number of task forces comprised of members from its states, the private sector, non-profits and others.

Southern States Biobased Alliance (Tasks 1-3)

SSEB's Southern States Biobased Alliance works closely with the Southeast Biomass State/Regional Partnership which SSEB hosts. Activities of the Southern States Biobased Alliance are focused on creating awareness and providing information and education for its members. As the members of the Alliance assess the opportunities for biobased products and bioenergy in the region, the group will review and make recommendations on policies and programs that support the use of bioenergy when appropriate.

Working within the context of the Southern States Biobased Alliance and with officials in each state, SSEB is identifying bioenergy-related policies and programs within each state to determine their impact on the development, and use of bioenergy. In addition, SSEB will determine which policies have impacted industry's efforts in the use of bioenergy products and technologies under Task 1-3 of this project.

U.S.-Brazil Biodiesel Pilot Project

On June 19, 2003, Energy Secretary Spencer Abraham and Brazilian Mines and Energy Dilma Rousseff signed a Memorandum of Understanding (MOU) to conduct a Ministerial Summit in energy issues by January 2004 in Brazil. Pursuit of joint objectives in clean energy and biofuels were specifically addressed in the MOU. In support of this collaboration, U.S. DOE modified this cooperative agreement DE-FC26-01NT41128 to include a U.S.-Brazil Biodiesel Pilot Project as a bilateral effort to enhance the prospects for success in developing biodiesel use in Brazil.

Executive Summary

Goal

The goal of this project is to have state and international policies positively impact the development, deployment, or use of bioenergy and are consistent among states.

Statement of Work

Southern States Biobased Alliance (Tasks 1-3)

Working within the context of the Southern States Bio-Based Alliance and with officials in each state, a staff member and/or contractor will identify bioenergy-related policies and programs within each state and determine their impact (in any way) on the development, deployment, or use of bioenergy. The staff member and/or contractor will be asked to determine as quantitatively as possible how this impact occurs, and how the legislation originally came to be promulgated.

Additionally and simultaneously, the staff member and/or contractor will be interviewing bio-based industry officials to determine what policies (or lack of policies) have impacted their efforts to develop, deploy, or use biobased technologies or products. The staff member and/or contractor will also try to determine the nature of these impacts and how policy changes might address any negative impacts or increase positive impacts.

In addition to attaining the project goal, this project approach will facilitate information sharing and education on state policies and their ramifications, create peer reaction, and ultimately provide more uniform regulations across the region that are supportive of bioenergy development, deployment, and use.

U.S.-Brazil Biodiesel Pilot Project (Task 4)

Task 4 is to develop a U.S.-Brazil Biodiesel Pilot Project to promote the commercialization of biodiesel and bioenergy production, technologies, and usage in Brazil. This task will consist of three primary components: Policy and Program Development; Feasibility Study and Technical Analysis; and bioenergy meeting design and execution to meet the U.S. Department of Energy goals.

Experimental

Due to the nature of the project, no experimental methods, materials or equipment are necessary.

Results and Discussion

Task 1-3 Activities

Tasks 1-3 of this project is to identify and compile into one document, bioenergy and biobased-related government policies and programs in the US and to determine the effectiveness of these policies and programs. This final document is meant to serve as a

resource for industry that has interest in and need for this specific information, and for government officials contemplating modification of existing legislation or creation of new legislation, policies, or programs. As a result, government officials will be able to learn from the experiences of others and efficiently create new model legislation for their states.

During this quarter, project staff has been monitoring state legislative activities. Since most member state legislatures were still in session for this reporting period, no new legislation will be reported until the next quarter. No other significant activities occurred during this quarter.

Note: Special funding for General Bioenergy, Inc. was added to the cooperative agreement during this period. These funds were reimbursement for specific activities as directed by the Office of Biomass Program.

Task 4 Activities

As stated in the project proposal the overall objective of Task 4 is to provide market development assistance to the Brazilian biodiesel market by assisting with an evaluation of the economic viability of producing biodiesel. Specifically, the following aspects will be addressed in the pre-feasibility study:

- Feedstock Assessment
- Technology Evaluation
- Brazilian Market Segmentation (opportunities & barriers)
- Evaluation of Petroleum Distribution Channels
- Market Drivers & Demand Potential
- Evaluation of Economic Viability
- Factors to Consider and Recommendations

The pre-feasibility study is progressing as planned and will be completed by the contract end date. The feedstock evaluation is almost complete, a technology evaluation is complete, and work towards segmentation of the Brazilian market continues. Detailed listings of pipeline terminals, refineries, and distribution companies have been secured. Analysis of these firms has proven to be more difficult than originally anticipated. Brazilian data is being incorporated into an economic model developed to project profitability and help identify risk factors. Finally, an overview of the effort was drafted and submitted to the Department of Energy to assist with their effort in attending April meetings in Brazil.

Conclusion

Beyond the potential economic development benefits, states gain the opportunity to strengthen and integrate the work of energy, agriculture, forestry, environmental and other state agencies. Where issues are the same among several states, strategies can be developed to address these issues without regard to state borders. Examples include the development of similar legislative actions, working with the private sector with multi-state locations, and multi-state training and outreach to economize resources.

Notably, several southern states have long-standing policies and programs that support the use of bioenergy. Therefore, some states have a more developed bioenergy economy than others. However, all states in the southern region have significant biomass resources. SSEB will report these findings in the final report.

As a result of the initial activity related to the U.S.-Brazil Biodiesel Pilot Study, Brazil ministry officials stated that they intend to push for two percent biodiesel usage nationally by 2006 with the intent of five percent usage in 2009. Since Brazil consumes around 37 billion liters of diesel annually, one percent amounts to 370 million liters. Brazil is rich in agricultural resources for bio-feedstock production. However, virtually no production of biodiesel is occurring. A simple plant to generate 40 million liters a year would take approximately \$10-\$12 million in capital costs not including annual maintenance, labor or feedstocks. However, 10 to 12 plants that are well-positioned could generate about one percent of total diesel demand.

References

No new references were used for this quarterly report.