



WISCONSIN LEGISLATIVE COUNCIL

SPECIAL COMMITTEE ON DOMESTIC BIOFUELS

Room 412 East
State Capitol

September 16, 2008
10:00 a.m. – 3:30 p.m.

[The following is a summary of the September 16, 2008 meeting of the Special Committee on Domestic Biofuels. The file copy of this summary has appended to it a copy of each document prepared for or submitted to the committee during the meeting. A digital recording of the meeting is available on our Web site at <http://www.legis.state.wi.us/lc>.]

Call to Order and Roll Call

Chair Kreitlow called the meeting to order. The roll was called and it was determined that a quorum was present.

COMMITTEE MEMBERS PRESENT: Senator Pat Kreitlow, Chair; Senators Robert Cowles and Robert Jauch; Representatives Donald Friske and Mike Sheridan; and Public Members Mary Blanchard, Howard Bohl, Steve Christensen, Randy Fortenbery, Jennifer Giegerich, Jeremy Goodfellow, Steve Graham, Don Guay, Bill Johnson, Steve Loehr, John Salden, and Peter Taglia.

COMMITTEE MEMBERS EXCUSED: Representative Scott Suder, Vice Chair; and Public Member Peter Tomasi.

COUNCIL STAFF PRESENT: John Stolzenberg, Chief of Research Services; and Larry Konopacki, Staff Attorney.

APPEARANCES: Craig Waldvogel, U.S. Oil Combined Locks; Hoon Ge, MEG Corp., Golden Valley, Minnesota; and Al Shea, Administrator, Division of Air and Waste, Wisconsin Department of Natural Resources.

Approval of the Minutes of the August 19, 2008 Meeting

Ms. Blanchard requested that the August 19, 2008 meeting minutes be corrected to indicate under the “Discussion of Committee Assignment”

that Virent Energy Systems makes advanced biofuels, gasoline, jet fuels, and diesel and not ethanol fuels.

At the request of Chair Kreitlow, the committee then approved the August 19, 2008 meeting minutes by unanimous consent.

Description of Materials Distributed

The following materials were either distributed to committee members or referenced by Legislative Council staff and are available at the committee's Web site:

- CRS Report, RL33572, *Biofuels Incentives: A Summary of Federal Programs* (updated July 29, 2008).
- CRS Report, RL33763, *Oil and Gas Tax Subsidies: Current Status and Analysis* (updated February 27, 2007).
- Report, *Federal Financial Interventions and Subsidies in Energy Markets 2007, Executive Summary* (April 2008), prepared by the Energy Information Administration.

Briefing on Major Federal Policies Promoting Transportation Biofuels

Mr. Stolzenberg explained that the briefing is divided in two parts, an overview of major federal initiatives and a detailed review of the federal renewable fuel standard. As part of the overview of major federal initiatives, Mr. Konopacki identified relevant tax incentives; tariffs; programs that provide funding for the production of biofuels and related initiatives; research and development, demonstration, and extension programs; required studies; and regulations.

Mr. Stolzenberg then provided a detailed explanation of the renewable fuel standard, describing components of the standard, level of the standard after the statutory schedules expire, application and enforcement of the standard, waivers and permanent modifications to the standard, the requirement for new biofuels to meet certain life cycle greenhouse gas emission reductions, and mandated studies relating to the renewable fuel standard.

Discussion of Transportation Fuels Incentives and Subsidies

At the request of Chair Kreitlow, Mr. Stolzenberg introduced the three reports distributed to the committee relating to transportation fuels incentives and subsidies. He noted that these reports were prepared by staff at two nonpartisan federal agencies, the Congressional Research Service (CRS), in the Library of Congress, and the Energy Information Administration, the data gathering and analysis branch of the Department of Energy. He called the committee's attention to the observations on page 2 in the CRS Report RL33763 that "tax incentives for oil and gas supply have historically been an integral (if not the primary), component of the nation's energy policy ..." and that "beginning in the 1970s and through much of the 1990s, energy tax policy shifted away from fossil fuel supply and moved toward energy conservation through both energy efficiency and the development of alternative and renewable fuels."

In the ensuing discussion, committee members discussed the incentives and subsidies received in Wisconsin under current federal programs and the application of tax credits, including the blender credit, and inquired about the incentives and subsidies for transportation fuels in neighboring states.

Presentations on the Distribution of Transportation Fuels in Wisconsin

Mr. Craig Waldvogel, U.S. Oil Co., Combined Locks, provided an overview of the distribution of transportation fuels in Wisconsin. He identified the various transportation modes and storage facilities, including the location of terminals in Wisconsin and pipelines moving refined fuels into the state. He also identified the location of ethanol and biodiesel plants in the state. Mr. Waldvogel then described how renewable identification numbers (RIMs) are assigned to renewable fuel produced in the United States under the U.S. Environmental Protection Agency regulations for the federal renewable fuel standard and then transferred from producer to blender through various exchanges.

Hoon Ge, MEG Corporation, Golden Valley, Minnesota, provided additional information on the transport and distribution of ethanol and biodiesel fuels. In his prepared remarks, he addressed the adequacy of the current fuel distribution system for these fuels, prospects for the construction of biofuel pipelines from the Midwest to population centers in the country, various studies required in recent federal laws relating to biofuels infrastructure, concerns of biodiesel users, and the experience of the State of Minnesota in establishing biofuel mandates.

Presentation on the Effects of Transportation Biofuels Usage in Wisconsin on Air Quality

Al Shea, Administrator, Division of Air and Waste Management, Department of Natural Resources, addressed the impacts of transportation biofuels usage on air quality in Wisconsin. In his prepared remarks, Mr. Shea identified the trends in three significant air pollutants in Wisconsin: ozone, fine particulates, and hazardous air pollutants. He noted the major emission control programs for these pollutants, including the mercury multi-pollutant rule currently under review in the Legislature. In commenting on the effects of transportation biofuels on air quality, Mr. Shea indicated that while some biofuels, such as 10% ethanol blend, will result in excess nitrogen oxides emissions, that these increases in emissions are insignificant compared to the decreases in emissions that will result from existing and proposed power plant emission control programs in Wisconsin.

Discussion of Committee Assignment

In response to Chair Kreitlow's request that committee members identify other areas of concern or information requests, committee members raise the following topics: the marketing of biofuels by petroleum companies, especially restrictions placed on ethanol blenders; the need for enforcement of biofuels quality standards, especially to address off specification biodiesel fuels; land use implications of biofuel feedstock production; identification of other states' biofuel policies, including mandates and incentives; relevant recommendations from the Governor's Task Force on Global Warming; public education programs on the use of biofuels and their performance; the effects of various levels of ethanol/gasoline blends on fuel economy; and various aspects of assessing the potential supply of feedstocks for biofuels in Wisconsin.

Other Business

There was no other business brought before the committee.

Plans for Future Meetings

The next meeting of the Special Committee will be *October 14, 2008, at 10:00 a.m., in Room 412 East, State Capitol, Madison*. The following meeting is tentatively scheduled for *Tuesday, November 18, 2008*, with details to be provided at a later date.

Adjournment

The meeting was adjourned at 3:30 p.m.

JES:ty