



WISCONSIN LEGISLATIVE COUNCIL

SPECIAL COMMITTEE ON DOMESTIC BIOFUELS

Room 412 East
State Capitol

November 18, 2008
10:00 a.m. – 4:00 p.m.

[The following is a summary of the November 18, 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; Representative Scott Suder, Vice Chair; Representative Donald Friske; and Public Members Mary Blanchard, Steve Christensen, Randy Fortenbery, Jennifer Giegerich, Jeremy Goodfellow, Steve Graham, Don Guay, Bill Johnson, Steve Loehr, John Salden, Peter Taglia, and Peter Tomasi.

COMMITTEE MEMBERS EXCUSED: Senators Robert Cowles and Robert Jauch; Representative Mike Sheridan; and Public Member Howard Bohl.

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

APPEARANCES: Paul DeLong, Department of Natural Resources; and Ron Lamberty, American Coalition for Ethanol.

Approval of the Minutes of the October 14, 2008 Meeting

Steve Loehr moved, seconded by John Salden, to approve the minutes of the October 14, 2008 meeting. The motion passed by voice vote.

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:

- Memo No. 3, *Neighboring States' Alternative Fuels and Advanced Vehicles Incentives and Laws* (October 17, 2008).
- Memo No. 4, *Potential Policy Options* (November 11, 2008).
- Executive Summary and Next Steps, *Effects of Intermediate Ethanol Blends on Legacy Vehicles and Small Non-Road Engines, Report 1*, Brian West, et. al. (October 2008).

Presentation on Policy Options Related to Forestry in Wisconsin

Paul DeLong, Administrator, Division of Forestry, Department of Natural Resources, addressed the role of Wisconsin's forests in providing feedstocks for domestic biofuels. In his prepared remarks, Mr. DeLong provided information on Wisconsin's current forest resources and the economic impacts and other benefits received from them, Wisconsin's efforts at promoting the sustainable management of public and private forest lands, and the role of the Managed Forest Law (MFL) program in managing private forest lands in the state. He also noted the interplay between the state's pulp and paper industry and the sustainable management of our forests, and the benefits from pulp mills becoming biorefineries and creating other value-added products from forest biomass that are not used by existing industry. He cautioned the committee to be mindful of unintended consequences from promoting bioenergy uses of forest resources that may impact the ability of the existing forest products industry to compete for these resources. Mr. DeLong shared excerpts from the recommendations of the Governor's Task Force on Global Warming relating to forestry and encouraged the committee to view the state's forests as a strategic asset that requires thoughtful policies to ensure that our forests will be used in a manner that maximizes the public values they produce.

Discussion of Policy Options

Chair Kreitlow and Vice-Chair Suder presented for committee discussion their draft recommended policy options based on the options set forth in Memo No. 4. (These recommendations are set forth in the written handout entitled, *Draft Recommendations from Domestic Biofuels Committee Chairs*.) Chair Kreitlow cautioned the committee that the state's poor fiscal condition would preclude the pursuit of otherwise worthwhile options. The committee discussion of these draft recommendations resulted in the consideration of state legislation and the development of recommendations to the state's congressional delegation for actions by Congress or relevant federal agencies.

In summary, committee staff were directed to begin drafting state legislation or preparing information for additional committee discussion on the following initiatives (the relevant option number in Memo No. 4 is given in brackets):

- Include woody biomass crops in the use-value property tax system. [I. C.]

- Review the MFL program for any changes that could expand participation in the program, such as addressing issues surrounding the leasing of property enrolled in the program that is closed to the public. [I. C.]
- Expand the applicability of existing state financial assistance programs, such as the Renewable Energy Grants and Loans program, to include support for bioenergy feedstocks establishment, production, harvest, storage, and transport. [I. E.]
- Direct the University of Wisconsin (UW-Extension), in consultation with the Office of Energy Independence (OEI), Technical College System, and the UW System, to assess educational needs for jobs related to feedstocks and biofuels production and report its findings to the Legislature. [I. F.]
- Establish a bioenergy advisory committee to identify voluntary best management practices for sustainable biomass and biofuels production. [II. A.]
- Direct the Department of Agriculture, Trade, and Consumer Protection (DATCP) and UW-Extension to educate feedstocks producers about opportunities to add value to feedstocks by reducing their carbon intensity. [III. A.]
- Seek opportunities to capture federal funding for deploying biomass energy systems in schools and government-owned buildings. [III. B.]
- Require OEI, in cooperation with other appropriate state agencies and private entities, to provide a periodic “strategic feedstocks assessment” report about current and potential feedstocks being produced in Wisconsin, the impacts of the use of feedstocks for energy production on other consumers of those feedstocks, and how land use changes may affect future feedstocks’ availability. [IV. A to G.]
- Evaluate the cost to the state of providing a volumetric production incentive for biodiesel blends above 10% (i.e., B. 10) that mirrors the Illinois biodiesel credit. [V. A.]
- Create an advisory committee to identify state and local regulatory burdens to the siting, construction, operation, and expansion of biofuels production facility, and opportunities for streamlining processes governing the siting and expansion of these facilities, and report its findings to the Legislature. [V. D. and F.]
- Direct OEI to provide technical and financial support, as appropriate, to the pulp and paper industry and other industries in the state that add production of other bioproducts, including biofuels. [V. E.]
- Create a program to provide reduced rate loans to renewable energy businesses, utilities, and start-ups; review and, as appropriate, coordinate with tax-exempt industrial revenue bond opportunities. [V. H.]
- Exempt from the motor vehicle fuel taxes and inspection fees fuels produced by an individual and used in the individual’s personal vehicle. [V. I.]

- Provide financial assistance from the Renewable Energy Grants and Loans Program for ethanol plants to convert to biomass energy for process heat. [VI. B.]
- Establish a marketing order to assess producers of biomass for energy production for promotion of its production and use; include production benchmarks that would have to be met before any assessment under the order would become effective. [VI. C.]
- Provide options for committee discussion to require fuels used or biofuels produced in Wisconsin to meet regional or federal greenhouse gas reduction requirements. [VI. E.]
- Expand the state income tax credit for E85 dispenser installation to also include blender pump installation. [VIII. A. and B.]
- Require fuel suppliers to supply unblended fuel at wholesale, modeled on the South Carolina unblended wholesale sales requirement. [VIII. D.]
- Review ways to remove barriers to the use of intermediate ethanol blends in non-flex-fueled vehicles. [IX. C.]
- Create Wisconsin-specific wholesale sales requirements for biofuels mirroring the federal renewable fuel standard requirements for biofuel sales. [IX. D.]
- Codify Executive Order #141, relating to increased utilization of renewable fuels and vehicles owned and operated by the State of Wisconsin. [IX. H.]
- Clarify that OEI has the primary role in coordinating state entities for programs and research relating to biofuels. [X. A. to C.]

In addition, committee staff will prepare for committee review a draft letter addressed to the state's congressional delegation requesting their assistance in modifying the federal Crop Reserve Program (CRP) to allow land enrolled in the program on which a bioenergy crop is grown to be harvested on an annual basis. [I. C.]

Presentation on Intermediate Ethanol Blends

Ron Lamberty, Vice President for Market Development, American Coalition for Ethanol (ACE), addressed various aspects of promoting the sale of mid-range ethanol blended fuels. He described ACE's efforts to protect the availability of splash blending by petroleum retailers under which a retailer can purchase unblended gasoline and ethanol separately and then splash blend the two products themselves. He also discussed the economics of E85 pumps and challenges as compared to blender pumps at retail stations. Mr. Lamberty described the "blend wall" that exists under the federal renewable fuel standard, given the mix of flex fueled and non-flex fueled vehicles in the United States, and the use of mid-range ethanol blends to address this "wall," as well as other advantages to the expanded use of these ethanol blends.

Other Business

There was no other business brought before the committee.

Plans for Future Meetings

The next meeting of the Special Committee will be *December 16, 2008*.

Adjournment

The meeting was adjourned at 4:00 p.m.

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