

- SUBJECT:** Adding renewable methane to renewable energy incentive program
- COMMITTEE:** Agriculture and Livestock — favorable, without amendment
- VOTE:** 8 ayes — Gonzalez Toureilles, Anderson, B. Brown, Crabb, Hardcastle, Kleinschmidt, Rios Ybarra, Swinford
- 0 nays
- 1 absent — Heflin
- WITNESSES:** For — *(Registered, but did not testify, Billy Howe, Texas Farm Bureau; Shayne Woodard, Verenum Corp.)*
- Against — *(Registered, but did not testify, Josh Winegarner, Texas Cattle Feeders Association)*
- On — *(Registered, but did not testify, Drew Deberry, Texas Department of Agriculture)*
- BACKGROUND:** Agriculture Code, ch. 16 establishes the Fuel Ethanol and Biodiesel Production Incentive Program, which promotes the production of ethanol and biodiesel in Texas. In 2005, the Legislature enacted HB 2417 by Swinford, which moved the program from the governor’s Economic Development and Tourism Office to the Texas Department of Agriculture (TDA). The program allows ethanol and biodiesel producers to apply for grants based on the amount of fuel they produce. Fuel ethanol and biodiesel producers pay an administrative fee of 3.2 cents per gallon of fuel produced and in turn receive an incentive payment of 20 cents per gallon. In 2007, the incentive program did not receive funding from the Legislature.
- Renewable methane can be produced from cow manure through an organic process known as anaerobic digestion. Anaerobic digestion breaks down manure into its component elements and produces a gas that is 60 percent methane and 40 percent carbon dioxide. Methane produced through this process is chemically identical to natural gas and can be transported through pipelines and sold to local power grids to create electricity.

DIGEST: HB 2318 would add renewable methane to the types of fuels eligible for renewable energy incentives through TDA. Producers would pay a fee of 3.2 cents per gallon, and TDA would pay producers 20 cents for each MMBtu of renewable methane produced.

The bill also would reduce the amount of incentive money paid to biodiesel producers, who would receive a payment of 10 cents per gallon of biodiesel produced and pay a fee of 1.6 cents per gallon.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2009.

SUPPORTERS SAY: HB 2318 would provide financial incentives to encourage dairy farmers to use manure for the production of renewable methane, rather than allowing it to fester in manure lagoons that are prone to runoff. It would help lead to an improvement in water quality in the Waco and Sulphur Springs areas, where dairy farms have been blamed for contaminating the Bosque River. Rain can cause phosphorus and nitrogen from cow manure to run off into rivers and streams, contaminating the local water supply.

Methane is the most potent of all the greenhouse gases, producing a global warming effect that is 21 times that of carbon dioxide. By using the methane expelled by manure to create biogas, anaerobic digestion prevents methane from being released into the atmosphere. If Texas were to participate in a voluntary or mandatory cap and trade program for greenhouse gases, the production of renewable methane would be considered an additional reduction to greenhouse gas emissions over the existing manure lagoons.

HB 2318 would provide an environmentally friendly boost to the state's economy by attracting large-scale commercial projects to Texas. Microgy, Inc. already operates a "waste to energy" facility near Stephenville and is interested in building three more in Texas. Texas contractors, materials, and labor would be used in building these facilities. After being constructed, each facility would provide a number of full-time jobs. By giving companies a financial incentive, HB 2318 would hasten the movement of clean energy companies to Texas.

Unlike some other forms of renewable energy, anaerobic digestion is proven and cost competitive. Clean coal technology that involves carbon capture and sequestration is costly and still in the developmental stages. Anaerobic digestion to produce renewable methane uses a natural process and is already being used effectively on a commercial level. HB 2318 would invest in a form of energy that is tried and true, rather than one that is still in its technological infancy.

HB 2318 not only would mitigate the smell of dairy farms, but also would transform manure into a number of viable byproducts. Disposing of manure through anaerobic digestion can reduce foul odors by up to 95 percent. Also, the byproducts of anaerobic digestion include nutrient-rich fertilizer, compost, livestock feed additive, and cow bedding.

HB 2318 appropriately would reduce the incentive offered to biodiesel producers from 20 cents per gallon to 10 cents per gallon. An economic analysis of different biofuels revealed that biodiesel is not as helpful to the state as renewable methane or fuel ethanol. The energy output of a unit of biodiesel is significantly less than that of a similar measurement of renewable methane or fuel ethanol. HB 2318 would adjust the incentive program to reflect the relative value of each renewable energy source.

**OPPONENTS
SAY:**

Although the livestock industry stands to benefit from the methane incentive program, fuel ethanol incentives have been known to cause spikes in corn prices that have been devastating to the livestock industry. Fuel ethanol should be removed from the incentive program to protect the livestock industry from having to pay inordinate prices for livestock feed.

NOTES:

During the 2007 regular session, a similar bill, HB 1673 by Swinford, passed the House, but died in the Senate Natural Resources Committee.