



Alternative Energy Report

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6

What's in a Name? Producer Incentives

The Senate recently passed Special Session SB 22, which provides incentives for the state's biodiesel producers, and the State House of Representatives will soon be considering similar legislation. But ERG sees much confusion among policymakers in terms of what these incentives are, and what other states are doing.

ERG has researched all 50 states to look at exactly what these states are really doing to provide incentives for biodiesel and ethanol production. The net answer? Twenty-nine states have SOME incentive programs, but only 13 have producer incentive payments. No state east of the Rocky Mountains has a direct payment incentive of more than 30 cents per gallon, despite public belief that some are providing \$1.00 or more.

Today, 13 states offer biodiesel and ethanol production incentive payment programs, ranging from Pennsylvania's \$.05/gallon to Wyoming's \$.40/gallon. Another ten states offer tax credits for biofuels production. Credits are used to balance income and mitigate state tax payments, rather than being dollars put "in pocket."

Most often cited is Iowa's program, which has been called a \$1.50 per gallon producer incentive. But the reality is that Iowa provides a 3¢ per gallon tax credit for B2 *for retailers, not producers*. Iowa has funded its biofuels incentive programs to the tune of \$35 million annually through 2020. Indiana and Kentucky have \$1.00/gallon production tax credits.

Among neighboring states, only Maryland has a direct incentive payment. Maryland's incentive program pays biodiesel producers \$0.10-\$0.20 per gallon, depending on the source of feedstock. Soybean oil biodiesel gets a \$0.20 credit, while other feedstocks (greases, renderings, waste oils, etc.) get \$0.10 per gallon. Similarly, ethanol producers in Maryland using small grains receive \$.20 per gallon while producers of corn ethanol receive \$.10/gallon.

Complicating things more is a lack of understanding of the industry. The Senate's bill provides 75 cents per gallon for production, but only allows payments up to \$2 million per company. As a result, some PA producers would get that full 75¢, but others, because they produce more biodiesel, could receive as little as four cents per gallon, creating a gross distortion in the marketplace in favor of less efficient producers.

Many policymakers, understandably because these terms and programs have been used interchangeably, are being asked to compare apples to oranges on this subject. ERG will continue to work with the legislature and administration to ensure that public policy is based on facts, not suppositions or worse case scenarios.

Look for a full listing of production incentives from each state to be posted on ERG's web site Monday, March 17.

House Passes \$850 Million Energy Package

On Tuesday, the state House of Representatives passed its version of an \$850 million energy bill by a vote of 126-74. Although not identical to the governor's proposed Energy Independence Strategy, the bill has many similarities.

Special Session House Bill 1, sponsored by Rep. Eugene DePasquale (D-York), would establish an \$850 million bond fund paid for by tapping into existing Gross Receipts Taxes. According to DePasquale, the initiative would leverage about \$3.5 billion in economic development, create 13,000 new jobs in the alternative energy sector and provide for long-term solutions to the state's energy crisis. PA's current energy investment programs have created more than 2,500 jobs. But funding is limited, and the state is only able to support 10 percent of requests, losing out on at least \$100 million in potential investments every year.

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World Leaders Focus on Renewable Energy, Climate Change

Tracy Wingenroth and John Nikoloff, partners in PA-ERG, joined world leaders gathered last week to highlight the challenges and opportunities confronting the growth of renewable energy, at the Washington Renewable International Energy Conference (WIREC) in Washington, DC. More than 7,000 delegates from 137 countries participated.

While in Washington, ERG's partners met with biofuels, waste to energy, advanced technology and hydrogen company representatives, and with Pennsylvania state officials who were in attendance. "The breadth and depth of delegates at the meeting speaks strongly for the future of renewable energy," Wingenroth said. "We were very pleased to be able to meet with so many companies and organizations who are serious about investing in this future in Pennsylvania."

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South Africa – Unlimited Economic Potential

Phil McFarren, a partner in both Energy Resources Group and McFarren & Associates recently returned from a state Department of Community and Economic Development-led trip to South Africa. Here is his analysis:

It is a 17-hour plane ride away, but South Africa is on the brink of triggering the revitalization of its economy and perhaps will be the leading force in the development of at least the southern half of the African continent. There are problems aplenty, but the cooperative driving spirit of the populace is very evident as the private and public sector seem to be merging on a vision of common objectives.

These observations are a result of my second trade mission in the past year to countries with emerging economies and a strong desire to further strengthen trade relations with the United States. There are many ongoing efforts to assist the South Africans and neighboring countries and many of those efforts center on Pennsylvania. A leading example is Westinghouse who is establishing a base in South Africa to assist and lead an effort to establish a new nuclear power facility in the country. They participated on the trade mission along with a half dozen others ranging from independent power suppliers to specialty software companies.

One of the driving issues in South Africa at the moment is the need to develop new energy resources.

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President tours WIREC Trade Show, Addresses Delegates

President Bush toured the WIREC 2008 Trade Show, and addressed the WIREC 2008 delegates, where he laid out a goal for the United States to reduce gasoline consumption by 20 percent over the next 10 years. He pledged to work with Congress on a continuing basis to promote energy independence, and cited passage of the Energy Independence and Security Act of 2007 as proof that this can be done.

In talking about renewable fuels and the 36 billion gallon RFS, Bush surprised many in attendance by saying, "Biodiesel is the most promising of these fuels. Biodiesel refineries can produce fuel from soybeans, and vegetable oils, and recycled cooking grease, from waste materials. All you out there with waste, you may be in business before you know it as this new technology kicks in. Most Americans -- or, more Americans are beginning to realize the benefits of biodiesel every year."

Last year, the United States produced 450 million gallons of biodiesel, an 80 percent increase in one year. Today there are more than 650 biodiesel fueling stations in America. There are hundreds of fleet operators that use biodiesel to fuel their trucks, and that's just the beginning of what is going to be a substantial change in our driving habits.

Bush noted that "corn ethanol holds a lot of promise, but there's a lot of challenges. He said that despite concerns about the cost of feed and fears that ethanol is affecting the price of food, "the best thing to do is not to retreat from our commitment to alternative fuels, but to spend research and development money on alternatives to ethanol made from other materials -- for example, cellulosic ethanol holds a lot of promise."

The Department of Energy had dedicated nearly \$1 billion to develop technologies that can make cellulosic ethanol cost competitive, and research suggests the projected cost has dropped by more than 60 percent. New technologies for second and third generation biofuels are likely to add to the menu of alternatives in the fuel sector.

Bush commented on his earlier tour of the trade show, where he visited a joint exhibit by Mack Trucks and Volvo, where seven trucks, each capable of operating on different renewable fuels were on display. Each of the trucks can be driven without any net contribution of carbon dioxide to the atmosphere, and included a Mack hybrid electric vehicle that is being tested by the US Air Force.

25 x '25 Summit Held, Sustainability Principles Endorsed

ERG Partner John Nikoloff and Allen Rider, former President of New Holland, North America attended the national 25 x 25 summit in Omaha, Nebraska this week, joining more than 100 delegates representing 39 states at the national meeting of the organization, whose vision is producing 25 percent of the US's energy needs from agriculture and rural America by the year 2025. The summit was held to focus discussions on needs of the coalition and to hear from speakers on renewable energy issues ranging from wind and biomass energy to next generation biofuels and energy conservation projects.

The 25 x '25 Alliance endorsed a set of sustainability principles to guide renewable energy production –including the following:

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ERG green partner for GGA Fest

ERG is please to announce its “Green Partnership” with the Great Green America Fest. The green energy festival is entering into its second year and is held at the Renaissance Faire Grounds in Lancaster on May 3-4.

“The event is growing by leaps and bounds and we are pleased to be a part of it,” said ERG partner Tracy Wingenroth. “During the event we plan to teach consumers about how different types of clean and alternative energies work and how they can utilize them in their daily lives.”

The eco-friendly fest is a family-oriented that offers timely and relevant workshops, displays and films. Click [here](#) for more info.

For sponsorship or exhibitor information, please contact [Tom Roy](#) and be sure to reference ERG’s Alternative Energy Report.

House & Senate Hold Appropriations Hearings Regarding DEP

Earlier this month both the House and Senate Appropriations Committees held budget hearings on the state’s numerous agencies, including the Department of Environmental Protection (DEP).

During the hearings, DEP Secretary Kathleen McGinty was probed about electric increases when rate caps come off, estimated savings of energy efficiency measure on state-owned buildings, truck idling regulations, the Governor’s energy initiatives, biodiesel incentives and the Chesapeake Bay clean up mandates to list a few. Out of her testimony, here are some key energy issues:

- McGinty said that Pennsylvania is attracting clean energy to the state, including international companies. She said that many of these companies are bringing manufacturing jobs back to the state. She also remarked that the department has issued over 8,000 permits for other energy sources including coal, oil and natural gas.
- With NIMBY opposition and many municipalities lacking ordinance that provide guidelines for siting windmills, McGinty was asked if the state should create a policy on siting wind turbines. She said that the Department has met with local government interest groups on the issue and has developed a sample ordinance to provide a tool to municipalities. Despite increased opposition to wind turbines in some parts of the state, McGinty said that the regular zoning process should be given an opportunity to work; however, some legislators, such as Senator Wozniak said that the state needs a policy regarding windmill placement.
- Senator Gordner asked the Secretary's opinion of a per gallon production incentive for biofuels. Secretary McGinty replied to that there is currently a modest subsidy of five cents per gallon. She said she is not sure that one dollar per gallon is the right amount but the administration does support some sort of subsidy. She noted that the governor wants to dedicate \$30 million from the Energy Independence Strategy to support biofuels.

Renewable Energy Continues Rapid Global Growth in 2007

The global use of renewable energy sources continued its rapid growth in 2007, with 40 gigawatts of new renewable energy capacity added throughout the world, according to a new report. That capacity growth, which includes large hydropower, brings the world's renewable energy generating capacity to more than a thousand gigawatts. Excluding large hydropower, renewable generating capacity grew by 33 gigawatts to a total of 240 gigawatts, a 16% annual growth rate. At 95 gigawatts, wind power is the largest of the newer renewable energy sources, while grid-connected solar photovoltaic systems increased by 53%, reaching 7.8 gigawatts.

Among other renewable energy sources, ethanol production reached 12 billion gallons, biodiesel production exceeded 2 billion gallons, and there are now enough solar hot water systems to produce 128 gigawatts of thermal energy. The United States now leads the world in new wind capacity added each year and in annual ethanol production, and it also features the largest installed capacities for geothermal and biomass energy power plants.

GRANTS

[President's High Growth Job Training Initiative](#)

Close Date: March 25, 2008

Department of Labor's Employment and Training Administration (ETA) announced a solicitation for grant applications under the President's High Growth Job Training Initiative. Approximately \$10 million in grant money is available "for high-impact regional approaches to meet the workforce challenges of the energy industry and/or address the shortage of construction and skilled trade workers needed to maintain and expand the energy industry infrastructure."

Applicants must demonstrate that their proposed project will be developed and implemented by a strategic regional partnership and focus on regional talent development and training. Average individual grants are anticipated to be between \$500,000 and \$1 million and may be awarded to public, private for-profit, or private non-profit organizations in the oil and natural gas, mining, electric, renewable energy, or nuclear energy sectors.

Proposed training solutions must support participants' long term career growth and result in an industry-recognized certificate, degree, or license.

[Plug In Hybrid Electric Vehicle \(PHEV\) Technology Acceleration And Deployment Activity](#)

Close Date: April 30, 2008

The Department of Energy (DOE), National Energy Technology Laboratory (NETL), on behalf of the Office of Energy Efficiency and Renewable Energy's (EERE) Office of Vehicle Technologies (OVT) Program, is seeking applications for cost-shared development and demonstration of plug-in hybrid electric vehicles (PHEVs). The vehicle shall be capable of charging by using the standard 110 volt outlet found in every home and building across the United States.

EVENTS

[OPIS 4th Annual Ethanol & Biodiesel Supply Summit](#), March 16-18, Washington, DC.

This summit aims to provide answers to key supply, storage, pricing and marketing questions now facing the biofuels marketplace.

[Renewable Portfolio Standards Symposium](#), March 26-27, Washington, D.C.

Renewable Portfolio Standards have rapidly developed momentum in certain sections of the U.S. and throughout the world. This conference features prominent utilities and policy decision-makers active in the RPS arena.

[2008 International Biomass Conference & Trade Show](#), April 15-17, Minnesota.

The first International Biomass Conference & Trade Show aims to facilitate the advancement of near-term and commercial-scale manufacturing of biomass-based power, fuels, and chemicals. Plan to learn and share information on biorefining technologies for the production and advancement of biopower, bioproducts, biochemicals, biofuels, intermediate products, and coproducts –through general sessions, technical workshops, and an industry trade show.

[10th Small Fuel Cells Conference](#), April 30-May 2, Atlanta, GA.

The U.S. Department of Energy will discuss how portable fuel cells offer the earliest market opportunities, in addition to citing the ready market for small fuel cells and their less stringent technical requirements.

National Alternative Fuels & Vehicles Conference May 11-14. Las Vegas, Nevada

The event will offer a wealth of information to advocates for clean transportation, with a variety of conference sessions organized around the following categories: fuels & fueling, electric drive, money, policy, and vehicles. The Expo, which features more than 125 exhibitors from around the globe, will showcase alternative-fueled light-, medium-, and heavy-duty vehicles.

[Energy from Biomass and Waste](#), October 14-16, Pittsburgh, PA.

Energy from biomass and waste can make a significant contribution to oil-independence and climate protection. The technology opens up new earning potentials and markets for the waste management and power generation industry as well as for the agriculture sector.

NEWS CLIPS

[Greater Lebanon Refuse Authority, PPL recognized for methane landfill](#)

[York County shop builds 1st hybrid bucket truck for utilities](#)

[Obama puts national spotlight on Bucks company](#)

[Learning to live the eco-friendly life](#)

[Supervisors 'okay' ethanol plant](#)

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