



## Alternative Energy Report

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10

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### Senate Republicans Introduce Their Own Budget Plan

After the Rendell administration released further numbers showing the state's budget deficit continues to grow to more than \$3 billion in the current fiscal year, Senate Republicans last week drew a line in the sand with the passage (by a 30-20 party line vote) of their version of a 2009-10 state budget. The Senate budget bill would cut \$1 billion of spending from the current budget and reduce real state spending by \$400 million according to published reports.

[Senate Bill 850](#) is a \$27.3 billion proposal, six percent less than Governor Rendell's budget proposal. The scaled-down counterproposal to the Governor's budget, would reduce state funding for public schools, welfare, and economic-development programs. It would use \$2.7 billion in federal stimulus funds to help compensate for some cuts. Senate Republican leaders have consistently stated that they do not want the state to rely on federal stimulus dollars, which only have a shelf life of two years.

"We face one of the most trying times in the next few years," said Senate President Pro Tempore Joseph B. Scarnati III (R-Jefferson). "If we do not get it right today, it's going to be the end for Pennsylvania's future, economically."

Rendell was quick to shoot down the Senate budget, summing it up as "an Alice in Wonderland production... This is not a game," he added during a news conference earlier this week. "This is not political chess. This is real stuff that affects real people."

The state has failed to produce a budget by the June 30 constitutional deadline since Rendell took office in 2003, and despite ongoing talks between the administration and leadership in the four caucuses, it seems unlikely that a compromise will be met by the deadline this year.

Senate Republicans, in an effort to not raise taxes, have also rejected Rendell's plan to add levies on tobacco sales, natural-gas extraction, and health-insurance premiums.

Said Majority Leader Dominic Pileggi (R-Delaware): "We either need to raise taxes or reduce expenditures - we chose the path of reducing our expenditures to match our revenues."

House Republican Leader Sam Smith (R-Jefferson) told reporters during an informal question-and-answer session this week that the Governor's budget proposal would lead to a \$13 billion deficit when federal stimulus money expires, and as such, the House Republicans are willing to support the Senate Republicans budget proposal. House Republicans have also said that they agree with their Senate counterparts about not using any money from the state's Rainy Day Fund to plug this year's budget deficit.

Link to [Governor Rendell's Proposed 2009-10 Budget](#)

Link to [Senate Republican's Proposed 2009-10 Budget](#)

### Ag Department Facing Huge Budget Cuts

This week the House Agriculture and Rural Affairs Committee met informally to discuss the Department of Agriculture's proposed budget.

Statements provided by the PA Farm Bureau said that the average cut in the Governor's proposed budget is 8.8 percent, yet the Ag Department has been hit with a 17.5 percent cut. The Bureau suggested that the cuts for the Department should be more inline with those for other state agencies. A \$7.7 million cut would be needed to

bring the department within the 8.8 percent cut range.

Among the items zeroed out in the Senate budget were funds for administration of the state's ag marketing and market development programs. Cuts to the Ag Department are of particular interest to those in the state's emerging biofuels industry, as the Department is responsible for testing and regulating the biofuels.

Committee members said that their intent for holding the informal meeting was to reach a consensus and send a letter to the Appropriations Committee and administration expressing the committee's recommendations for dealing with cuts to the Department's budget. This was the first meeting of the committee since the appointment of new Republican Committee Chair John Maher (R-Allegheny).

### **Restrictions on Woody Biomass Must be Removed**

By John Nikoloff, President of ERG

ERG this week joined with 25x'25 and forestry partners in seeking to reverse federal policy that denies the use of a wide variety of woody biomass resources to meet the nation's renewable energy goals. Severely restricting the definition of eligible woody biomass in federal energy legislation makes no sense. It is a policy that undermines the intent of those in Congress who say they want to create a renewable energy future that promotes energy independence, enhances national security, boosts the economy and improves the environment.

Woody biomass has multiple commercial applications in the battle for a renewable energy future – as a feedstock for electric generation, as exemplified in Northumberland County by Viking Energy, with its cooperative relationship with Furman's Foods replacing natural gas in the company's canning operations; as a thermal heating source, as at the Elk Regional Health Center; as fuel for business heating systems, like the Dillon Floral Corporation in Columbia County; for feedstock to co-fire in coal and waste based electric generating facilities; and as feedstock for cellulosic ethanol production, just to name a few.

Yet Pennsylvania has no state economic incentives specifically targeted to biomass included in the Alternative Energy Investment Act passed last summer. Even the Energy Harvest Grant Program in DEP has been revised by the Department so that businesses are no longer eligible for those funds.

Click [here](#) to view the rest of Nikoloff's blog on ERG's Power Politics.

### **Hanger Says Republican Budget Could Harm Environmental Programs; Senator White Responds**

Shortly after the unveiling of the Senate Republican budget, the DEP Secretary John Hanger [issued a statement](#) that the proposed cuts would "hurt environment, threaten communities' well-being". The budget proposes \$50 million in additional cuts the Department's budget. Governor Rendell's budget proposed a \$19 million cut in the agency's funding.

Senator Mary Jo White, Chairman of the Senate Environmental Resources and Energy Committee fired [a letter](#) back to Hanger, calling the DEP statement "outrageous and insulting."

Chairman White said, "While the Senate-passed budget contains many difficult funding reductions, it is a plan that requires DEP and other state agencies to do what Pennsylvania families and businesses across the state do on a daily basis: live within their means. It transfers \$100 million from legislative accounts to help fund state programs, including those within DEP."

"After the Governor released his budget proposal in February, he was roundly criticized by senators for cutting this program or cutting that program...now, the Senate is pushing a budget that cuts \$2 billion more out of the budget – much of which comes from programs for which senators had previously advocated for more funding," said Hanger.

“The Governor’s budget proposal was never realistic; it has become less so as the state’s deficit has grown to nearly \$3 billion,” the Senator said, calling the press release “neither accurate nor productive.”

### **Penn State Receives Federal Funding for Biofuel Work**

A biofuel research effort at Penn State will get \$21 million over five years to study the structure of plant cell walls which are a potentially huge source of renewable energy. This is one as one of 46 projects across the country that were chosen as part of a federal energy initiative.

“Plants collect sunlight and store it in the chemical bonds of sugar, which they then deposit in the cell walls,” Penn State biology professor Daniel Cosgrove said. “One of the goals of biofuel research is to find efficient ways of converting those sugars — which are long polymers and hard to break apart — into a form that’s useful as a fuel.”

Cosgrove said a range of scientists, including physicists, molecular modelers and plant geneticists, will be part of the center. He said that cell walls are not only an energy source, but make up important materials including wood, paper and cotton from sunlight, air and a little bit of water.

The aim of the federal initiative is to enhance the nation’s energy security. The 46 projects include research into areas such as solar energy, electricity storage and carbon capture. Penn State faculty are part of three of those projects.

The funding for the projects, known as Energy Frontier Research Centers, adds up to \$777 million over five years. Part of the funding for the initiative was included in the American Recovery and Reinvestment Act.

### **Obama’s Budget Calls for 100% Auction of Carbon Permits**

President Obama’s final \$3.6 trillion budget, released last week, included many provisions relating to energy and retains the controversial provision that all permits for carbon emissions will be auctioned, while many in Congress are still pushing back to give away more than half of the permits. The budget uses \$646 billion in revenue in the first few years of the program to help offset new federal spending elsewhere.

The nonpartisan Congressional Budget Office has noted that the cap and trade proposal will result in higher energy prices. CBO’s David Elmendorf told the Senate Finance committee that giving away allowances is effectively the same thing as “giving the proceeds from the auction away.” The CBO noted that their assessment assumes the main point of cap and trade programs is to lower emissions, not raise money. Nevertheless, over the next decade, auctions of emissions could net the federal government more than \$1.2 trillion dollars, which CBO said would be paid by higher costs for consumers in their electric bills.

Beginning in 2012, the White House budget had counted on the sale of greenhouse-gas emissions permits to bring in \$77 billion to \$79 billion a year through 2019. Of the \$624 billion in revenue, the White House allocated \$504 billion to a \$800-per-family tax cut for households with incomes below \$150,000. An additional \$15 billion a year was dedicated to developing and deploying renewable-energy efforts to replace the fossil fuels being hit by the pollution trading system.

If Congress decides to give away permits, that would mean less money for policy ideas such as the president’s Making Work Pay tax cut and his push to wean the nation off fossil fuels, and less money for deficit reduction. Daniel Weiss, director of Climate Strategy for the Center for American Progress, a liberal think tank, said “At least half the revenue that the administration is expecting is just not going to materialize.”

[MORE...](#)

### **Cap and Trade Compromise Could Compromise Budget Numbers**

House Democrats negotiating a major energy and climate bill have reached a tentative agreement to include a scaled-back renewable power target of 15 percent by 2020, senior lawmakers said yesterday. The proposal gives away to utilities and other businesses the pollution credits that would be created by a cap-and-trade system. Such a system is designed to reduce carbon-dioxide emissions by instituting caps, and requiring that businesses buy permits to pollute that they can trade like commodities.

House Energy and Commerce Committee Chairman Henry A. Waxman (D., Calif.) has been negotiating with a group of Southern and Midwestern Democrats on his committee who have withheld support for his bill because they feared it would hurt the economies in their states. Mr. Waxman said that he has agreed to amend the legislation so that it requires a cut in U.S. greenhouse-gas emissions of 15% below 2005 levels by 2020, rather than a 20% cut in that time frame, as called for in the original version. He also said he has agreed to give away to electric utilities 35% of the emissions permits that would be created by the bill, at least initially, rather than require them to pay for the permits.

The agreement -- if it holds -- represents a breakthrough after weeks of wrangling over a plan that requires utilities to supply escalating amounts of power from sources such as wind, solar and biomass.

However, if a state shows it cannot meet the renewables target, their renewables requirement could drop to 12 percent, with a corresponding increase in efficiency to keep the overall 20 percent level intact, said Rep. Ed Markey (D-Mass.).

Under the revised proposal, auto makers initially would receive 3% of the permits free, and that certain trade-sensitive industries, such as aluminum, glass and steelmakers, initially would get 15% free. Those concessions would be a win for the affected industries, potentially worth billions of dollars.

"I think we have the basis of an agreement with members of the Democratic caucus," Mr. Waxman said. He said he still expects the Energy and Commerce Committee to vote on the measure next week. Virtually all of the Republicans on the panel are expected to oppose the bill. "I expect we're going to have the votes to pass this out of committee," he said.

At the same time, a senior Republican on the committee, Rep. Fred Upton of Michigan, said Republicans are preparing to introduce as many as 200 amendments aimed at slowing down the bill and eliminating major provisions of the legislation.

And further complicating the debate on GHGs, on Tuesday, a [White House document](#) that says regulating greenhouse gases under the Clean Air Act "is likely to have serious economic consequences for regulated entities throughout the U.S. economy, including small businesses and small communities," was released.

The memo includes questions about the legal and scientific bases for the endangerment finding, and provides a much more negative view than public statements from the administration have suggested. EPA administrator Jackson told a Senate Committee Wednesday that the memo was considered, but that the agency was confident in its finding, noting they would much prefer legislation to regulation on greenhouse gases.

### **State Applies for Diesel Tech Grant for Pittsburgh**

The commonwealth has applied for a \$1.5 million Clean Diesel Emerging Technology grant through the American Recovery and Reinvestment Act to upgrade two marine diesel engines in the Pittsburgh area.

"Diesel engines play important roles in our every day lives, but old, inefficient engines are major sources of air pollution that make it difficult for many people to breathe, " Governor Rendell said. "Diesel emissions are not limited to our highways and factories. Marine vessels used at the Port of Pittsburgh are essential to moving freight along the Allegheny, Monongahela and Ohio rivers, but they also diminish the region's air quality.

This ARRA grant would fund an overhaul on both propulsion engines in the Pittsburgh-based vessel Champion Coal, which operates on a 200-mile stretch of the Monongahela and Ohio rivers. Caterpillar dealer Cleveland Brothers in Murrysville will upgrade the tow boat's two engines, which will reduce emissions and improve fuel efficiency.

In addition to the environmental benefits, the project would also help strengthen the local economy by creating or retaining 32 jobs.

[MORE...](#)

### **EPA Lays out a Plan for the Nation's Increase in Renewable fuels**

The U.S. Environmental Protection Agency is proposing its strategy for increasing the supply of renewable fuels, poised to reach 36 billion gallons by 2022, as mandated by the Energy Independence and Security Act of 2007.

Increasing renewable fuels will reduce dependence of foreign oil by more than 297 million barrels a year and reduce greenhouse gas emissions by an average of 160 million tons a year when fully phased in by 2022. EISA will establish four categories of renewable fuels.

The new categories include: cellulosic biofuels; biomass-based diesel; advanced biofuels; and total renewable fuel.

In 2022, the proposal would require:

- 16 billion gallons of cellulosic biofuels;
- 15 billion gallons annually of conventional biofuels;
- 4 billion gallons of advanced biofuels; and
- 1 billion gallons of biomass-based diesel.

To achieve the volume requirements, each year EPA calculates a percentage-based standard that refiners, importers and blenders of gasoline and diesel must ensure is used in transportation fuel. For the first time, some renewable fuels must achieve greenhouse gas emission reductions compared to the gasoline and diesel fuels they displace. Refiners must meet the requirements to receive credit toward meeting the new standards.

The thresholds for new categories would be 20 percent less greenhouse gas emissions for renewable fuels produced from new facilities, 50 percent less for biomass-based diesel and advanced biofuels, and 60 percent less for cellulosic biofuels.

### **EVENTS**

[Green Rating and Certification Systems](#), May 21, Williamsport

Learn about "green" residential design certifications (LEED, Green Advantage and NAHB Green) and energy rating certifications (BPI, RESNET/HERS and ENERGY STAR). Kathy Greely will explain the similarities and differences between each rating system, their intended outcomes, and information about what contractor certifications are required to issue the building ratings. She will discuss the energy performance requirements of two residential energy efficiency programs, PA Home Energy and the Keystone Help program. This seminar will focus on residential certifications, ratings, and labels, but will also touch upon related labels for commercial buildings.

[Post Stimulus Renewable Finance Summit](#), May 27-29, New Orleans

The Post-Stimulus Renewable Finance Summit will be the first major event to bring together renewable developers, investors, lenders and other renewable finance players to focus on the opportunities in renewable financing created by the stimulus bill and how to seize them. The Summit will provide an important opportunity for these groups to get the latest market intelligence on how investors and lenders are responding to the stimulus bill, how the government is administering its provisions, how best to structure deals to utilize its new incentives, and more.

[PennFuture's 2009 Annual Clean Energy Conference](#), June 4, Camp Hill

Stimulating Pennsylvania's 21st Century Energy Economy

Now in its ninth year, PennFuture's Clean Energy Conference has become a key venue for government officials, public interest organizations and the energy industry to network and learn about the most up-to-date clean energy markets and policies in Pennsylvania.

[25th Annual International Fuel Ethanol Workshop & Expo](#), Jun 15-18, Denver

In these 25 years the ethanol industry has developed significantly. FEW has kept the pace –providing unmatched business development and networking opportunities, the largest and most widely attended expo, and an industry leading educational forum. The updated design of the FEW logo provides a progressive look for the exciting next stage of this conference and the industry.

[13th Annual Green Chemistry & Engineering Conference](#), Jun 23-25, College Park, MD

This year's Green Chemistry and Engineering conference is focused on bringing parties together to assess progress against the Grand Challenges and to accelerate filling this niche. Through the merger of green chemistry, green engineering, and other new innovations combining with dedicated policy and regulation of industrial chemistry, the march towards sustainable science continues to advance. These themes and others will be addressed at the 13th Annual Green Chemistry & Engineering Conference in June, 2009.

### **DEP Offers Energy Workshops to Help Small Businesses Improve Efficiency, Cut Costs**

The Department of Environmental Protection (DEP) is offering free workshops to help small- and medium-sized businesses reduce energy costs and increase profits. The workshops will offer businesses information on energy supply options, illustrate how to identify energy cost-saving opportunities, and explain how to develop an energy action plan. Information about financial and technical resources for energy-efficiency upgrades also will be available. Particular emphasis will be given to easily implemented, cost-effective changes for small commercial and industrial facilities. Applications for the Small Business Energy Efficiency Grant Program and Renewable Energy Program are now being accepted and will be highlighted during the workshops. Registration for the workshops is free, and the sessions are open to the public. All workshops will be held from 8 a.m. to noon on the following dates at these locations:

- May 19 – Elizabethtown College, Brossman Commons Student Center, Event Space Room, 1 Alpha Dr., Elizabethtown
- May 27 – Indiana University of Pennsylvania, Crimson Event Center, Corner of Maple Street and Pratt Drive, Indiana
- June 2 – Bucks County Community College, Penn Hall Room 257, 275 Swamp Road, Newton
- June 3 – Wilkes University, Henry Student Center Ballroom, 84 West South St., Wilkes-Barre.

To register, visit [www.depweb.state.pa.us](http://www.depweb.state.pa.us), keyword: Ombudsman, then click on "Upcoming Events." For more information or to request a registration form, call (717) 783-8411.

### **Marcellus Shale and Local Governments: Understanding and Shaping Community Impacts**

The Penn State Cooperative Extension, in partnership with Pennsylvania State Association of Township Supervisors (PSATS), has developed a training series focusing on the Marcellus Shale and its community impacts across the commonwealth. Contact PSATS for information on training at 717-763-0930 or visit <http://psats.org/>

### **Penn State Web Seminar on Natural Gas Exploration Issues**

To address the opportunities and challenges of exploring for natural gas in the Marcellus Shale in much of Pennsylvania, Penn State's College of Agricultural Sciences and Penn State Cooperative Extension will offer an online seminar on May

21st. The seminar will be held at 1:00 pm. For more information, contact Joann Kowalski at 570-278-1158. To learn how Marcellus Shale natural Gas exploration, the development of this resource, may affect land use and our communities for the next 100 years, visit [www.naturalgas.psu.edu](http://www.naturalgas.psu.edu) and <http://wpsu.org/gasrush>.

#### **NEWS CLIPS**

[Mexico's Alternative to Global Cap and Trade Gains Steam](#)

[Waxman Said to Offer Free Permits in Climate Talks](#)

[Analysis Projects Modest Competitiveness Impacts Under Cap and Trade](#)

[US to burn 2.3 pct less coal for power in '09](#)

[Advocacy group's report calls for federal, state 'green' policies](#)

[Wind power sees transmission bottleneck](#)

[White House's Emanuel, Browner Talk Climate with CEOs](#)

[Rendell plan to tax Marcellus shale gas in doubt](#)

[Pa. sites may store carbon](#)

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[www.pa-erg.com](http://www.pa-erg.com)

**Energy Resources Group**

200 North Third St. | Suite 1100 | Harrisburg, PA 17101

Phone: 717-233-8606 | Fax: 717-233-8665

E-Mail: [info@pa-erg.com](mailto:info@pa-erg.com)

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