



Alternative Energy Report

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Senate Sends Its Energy Plan To House; Table Set For January Action?

Governor Says Senate Plan "Falls Woefully Short."

The State Senate passed three special session energy bills during its last session week before the Holiday recess, including its response to Governor Rendell's proposed Energy Independence Strategy and two biofuels bills. Alternative energy advocates saw the action as positive in that the special session bills were finally moved, but many see the ongoing stalemate between House and Senate leadership, and the Governor's Office as simply frustrating.

Major changes are expected when the House takes up its own version of the bills in January. As noted elsewhere in AE Reports, several special session bills have been moved and are on the calendar for consideration by the House next month.

While Senate leaders called the passage "a wonderful start," Governor Rendell was quick to say the legislation provided too little funding for Pennsylvania to compete with other states in attracting cutting-edge energy technologies and businesses.

The action by the Senate was a good sign that legislation CAN be passed, but a long journey appears ahead before a final state energy plan is signed into law. The House, to date, has been unable to finalize its own special session energy package, and talks between the two chambers of the General Assembly have not yet been fruitful. Expectations are that the House will take up the energy bills when it returns in January.

SB 1, approved 44-5 on the Senate's last day of business for 2007 provides a "compromise" \$650 million package of tax credits, rebates, loans and grants that would be available for ten years or more for energy development, energy efficiency projects and energy conservation efforts. The bill would divide the \$650 million among sectors of the energy industry and residents and business owners. ERG strongly supported inclusion in the legislation of programs to support advanced energy technologies, start up funding programs, guaranteed loans, and dedicated funding for rail infrastructure improvements to support the alternative energy sector.

The Governor complained that the energy bill would take too long to distribute subsidies, would err in giving money to coal-fired power plants, and would pack too little punch to put Pennsylvania on the energy map. "It falls woefully short of what we need," he said. The bill approved by the Senate creates an investment fund of \$250 million. "Not only is this far short of the \$850 million I proposed, it would make Pennsylvania's clean energy fund smaller than the \$300 million fund created by Rhode Island, a State with nine percent of our population," he said.

The Governor also opposes the Senate bill's provision to set aside \$25 million for utility companies to comply with the laws that limit mercury pollution. "It puts us in a position of paying the utility companies not to pollute," Governor Rendell said. "That's just not right. The law is the law, and we all have to follow it."

He called on members of the House to make improvements to the energy package and

work out differences before sending the legislation to his desk.

Energy Bill at a Glance

The \$650 million bill approved by the Senate contains:

- \$210 million in loans and grants to help finance energy projects by local governments and businesses.
- \$130 million in tax credits to help finance wind farms, waste-coal power plants, solar-power installations and other facilities; the research, development and manufacture of energy sources and equipment; and rail systems to transport alternative or renewable fuels.
- \$100 million in grants to help poor families pay for heating or electricity.
- \$100 million in grants, reimbursements and rebates to help residents pay for home conservation projects.
- \$50 million in rebates to help businesses and residents buy and install solar and photovoltaic panels.
- \$25 million in grants to help owners of coal-fired power plants buy equipment to meet federal and state pollution standards.
- \$15 million to the Ben Franklin Technology Development Authority to invest in research and start-up companies.
- \$15 million in rebates for the purchase of a hybrid gas-electric vehicle (boosting the rebate per vehicle from \$500 to \$750).
- \$5 million to the Pennsylvania Housing Finance Agency for loans to help low-income homeowners pay for conservation projects.

SOURCE: Pennsylvania Senate Republican caucus

Senate Passes Biodiesel Legislation - Bypasses Ethanol

The two biodiesel bills passed by the Senate this month include provisions to support production and development of the state's biodiesel industry, but ignored ethanol, which has the support of the state's agricultural industries, and which, because of newly passed federal energy policy (see story below), will be the national focus for alternative fuel development in the next 15-20 years.

SB 36, the Biodiesel Study and Production Incentive Act passed the Senate by a 42-7 vote. The bill sets terms for targets and triggers for state mandates for use of biodiesel that are double the Governor's proposal and that passed by the House in HB 1202 earlier this year. The bill mandates studies of infrastructure and emissions, as well as engine manufacturers' approvals before any state mandates would be put in place. The bill includes a provision that "renewable diesel" may be sold as a substitute for B-2 biodiesel blends. As noted, the bill does not address ethanol. ERG will be working with the General Assembly to address these issues as the legislation moves forward.

SB 22, approved 40-9, amends the Alternative Fuels Incentive Act to increase production incentives for biodiesel, provide educational funds for promotion of the AFIG program, and includes payments for use of nitrogen in tires to increase efficiency. The legislation gives biodiesel producers a 75 cent per gallon production incentive, 35 cents more than any other state, but caps the incentives at the first \$7 million. As a result, the two biodiesel companies producing more than 10 million gallons per year will receive as little as five cents per gallon for their product, putting them at a serious disadvantage in pricing and marketing. This discrepancy was hotly debated behind the scenes in the Senate. The bill does not contain any additional incentives for ethanol production in the Commonwealth. Under current AFIG program guidelines, ethanol and biodiesel producers have been eligible to receive a

five-cents-per-gallon production incentive. Again, ERG will be working to modify these provisions and secure passage of a strong biofuels incentive program in the House.

House Special Session Committee Update

The House Environmental Resources and Energy Committee gave several special session bills the green light before breaking for the Holidays, including House Bill 1 sponsored by Rep. Eugene DePasquale (D-York). The bill establishes a state \$850 million bond fund with \$600 million for the Energy Development Fund and \$250 million for the Commonwealth Financing Authority, to support alternative energy projects. It also redefines the PA Energy Development Authority, its board of directors, powers and duties, and allows PEDDA to issue bonds up to \$800 million.

The committee also okayed Special Session House Bill 4, sponsored by Rep. Carol Rubley (R-Chester), which requires buildings that receive State appropriations to comply with specified energy and environmental building standards; House Bill 16, sponsored by Rep. Chris King (D-Bucks), which establishes a State Energy office; and House Bill 13, sponsored by Rep. Lisa Bennington (D-Allegheny), that amends the Alternative Energy Portfolio Standards Act defining "Tier III alternative energy resource".

The Committee had previously voted out HB 2, sponsored by Rep. Mike Gerber (D, Montgomery), the Clean Fuels and Energy Independence Act, which is identical to HB 1202 passed last summer, and establishes mandates for sales of ethanol and biodiesel when production triggers are met. House leadership had hoped to move this bill before Christmas, but the sponsor asked that it be held over. HB 2 has been referred to the Appropriations Committee.

Lake Erie Biofuels Hits Milestone with First Major Shipment

Lake Erie Biofuels achieved a milestone this week when it completed the loading of the Clipper Tobago with its first major shipment of biodiesel for export out of the Port of Erie. Lake Erie Biofuels is the first large-scale biodiesel producer in the Commonwealth, with annual capacity of 45 million gallons.

The loading is a first in Great Lakes shipping history, as the shipment of 1.5 million gallons of biodiesel is the first marine export of biodiesel from the Great Lakes through the Saint Lawrence Seaway.

Lake Erie is a leading biodiesel provider for independent distributors in the Northeast. The \$60 million plant is using multi-feedstock technology combined with on-site laboratory facilities for ASTM D6751 and EN 14214 testing which allows the company to surpass accepted industry standards for performance and quality.

ASTM Subcommittee Passes New Specification for 20 Percent Biodiesel

After several years of collaboration with the industry, ASTM has taken a leap forward in the process of creating a new specification that will cover blends of six-to-20 percent biodiesel (B6 – B20). The biodiesel blend specification passed out of ASTM International's D02 Subcommittee E at the semi-annual ASTM meetings held in Phoenix this month should clear the way for greater automaker approval of B20.

The majority of Original Equipment Manufacturers (OEMs) view the adoption of an

ASTM blended fuel specification as a key component for full, universal acceptance of B20, a blend of 20 percent biodiesel and 80 percent petrodiesel. Chrysler has previously announced the company plans to issue formal support for B20 once ASTM has formally approved B20 specifications.

According to the ballot, the biodiesel portion of the B6-to-B20 specification must meet the standard for pure biodiesel prior to blending, and the finished blend must meet the widest of the specifications for either No. 1 or No. 2 diesel. Parameters to measure acid number and stability were also added to the finished blend specification as an additional assurance of the fuel's stability over time. In addition, the specifications allow the 90 percent distillation point to be 5 degrees C higher for the blend.

The subcommittee also passed ballots that would allow the formal incorporation of up to 5 percent biodiesel into the existing specification for diesel fuel (ASTM D 975) and the existing specification for home heating oil (ASTM D 396) and made refinements to the current standard for pure biodiesel, ASTM D 6751. Changes to the B100 blend stock specification were needed to address the potential issue of filter clogging above the cloud point with B20 and lower blends.

Approval is expected from ASTM's Committee at its June 2008 meeting.

Green Building Alliance Announces \$448,000 in Product Innovation Grants

The Green Building Alliance recently announced \$448,000 in Green Building Product Innovation Grants for seven projects that seek to develop and introduce new and enhanced green building products.

GBA's Product Innovation Grants will expedite the commercialization of new building products within the fast growing green building market. Seven grants were awarded from 23 proposals received by the GBA on its inaugural round of Product Innovation Grants. Recipients include:

- \$100,000 for Ductmate GreenSeam II product development, which will significantly reduce duct leakage; a project of Ductmate Industries and the University of Pittsburgh;
- \$100,000 to environmentally and economically assess the production and field performance of insulated concrete forms, in order to most effectively manufacture and deploy this construction product; a project of Tegrant Corporation and the University of Pittsburgh;
- \$81,564 for improved production of pigment as a byproduct of the treatment of coal mine drainage in western Pennsylvania; a project of Iron Oxide Recovery, Hedin Environmental, and the University of Pittsburgh;
- \$81,062 for development of a process simulator for green product decision-making; a project of Burt Hill and Penn State University; and
- \$45,736 for sustainable, affordable, low-temperature water system to heat and cool a neighborhood of buildings; a project of Geothermal Energy Systems and Carnegie Mellon University.

Two \$20,000 Proof-of-Concept grants were awarded for the development of a superlattice solar cell prototype; a project of Villanova University; and low energy luminous surfaces: residential lighting using Ceelite LEC technology; a project of Drexel University.

Pennsylvania is currently ranked second in the country in the number of LEED certified buildings. The green building product market is estimated to be worth \$30 to

\$40 billion annually by 2010.

A Request for Proposals for the second round of Product Innovation Grants will be distributed in early January, with final proposals due March 10, 2008. For submission information, visit the Green [Building Products Initiative](#) webpage.

Pittsburgh Going Greener

Image a city where people who walk or bike to work get extra incentives. Image a parking garage where people who drive hybrids or carpool get preferred parking or reduced rates. A place where community gardens replace vacant lots, schools have “green roofs,” sidewalks are made of recycled tires, and building permits are fast-tracked if the structure is environmentally friendly. Now image that city is Pittsburgh.

Trying to shed its historically pollution-filled image, Pittsburgh has been making great strides in becoming more eco-friendly and plans are underway for the city to hold a Green Summit in February to discuss the aforementioned ideas and more.

Although a date is not yet set, Councilman William Peduto said that the summit would involve leaders in government and the private sector, with the ultimate goal of extending pro-environmental policy farther than any similar city.

Pittsburgh is excelling in the green building sector and recently passed legislation to allow green buildings to be larger. So far, the David L. Lawrence Convention Center and five other buildings have earned certification under the U.S. Green Building Council's Leadership in Energy and Environmental Design rating system.

The city has begun to conserve energy by improving the efficiency of traffic lights and buildings, as well as switching garbage trucks over to biofuels. They also have a street tree program.

According to a study by the Pittsburgh Green Government Task Force, activities within Pittsburgh's borders resulted in the emission of 6.6 million tons of greenhouse gases in 2003. Government caused just 4 percent of that.

Federal Legislation

President Signs Energy Independence And Security Act

President Bush on Wednesday signed H.R. 6, the Energy Independence and Security Act of 2007, a bill which will require increased fuel efficiency of cars and trucks for the first time in 32 years, promote production of ethanol and biodiesel, and cut energy use in light bulbs and appliances.

The House of Representatives passed the bill by a 314-100 vote, after the Senate had passed the same legislation by an 86-8 vote last week. Congressman Joe Pitts (R, Lancaster, Chester) was the only Pennsylvania No vote on the bill. House legislative leaders said the bill will reduce U.S. oil imports and save consumers up to \$1,000 a year at the pump. To get the bill passed, leadership dropped provisions that would have imposed about \$13 billion in taxes on big oil and gas companies and would have required utilities to generate 15 percent of their electricity from renewable energy sources such as wind and solar power.

The key focus of the Act is a requirement that CAFE standards for cars and trucks increase by 40 percent to an average 35 miles per gallon by 2020. Today, manufacturers must attain a fleet average of 27.5 miles per gallon for cars, and 22.2 miles per gallon for minivans, SUVs and other light trucks. The higher fuel standard is expected to cut U.S. oil demand by 2 million barrels a day in 2030, shaving off eight percent of the 25 million barrels a day in oil consumption the Energy Department has forecast for the future.

The Act raises the Renewable Fuel Standard (RFS) - the yearly required output of renewable motor fuels such as ethanol and biodiesel – from 7.5 million gallons in 2012 to 36 billion gallons by 2022. The new law requires 21 billion new gallons of ethanol to be produced from "cellulosic" materials other than corn, including wood chips, grasses and agricultural waste. The U.S. currently consumes about 140 billion gallons of gas annually, and uses about 6 billion gallons of biofuel.

The expanded RFS provided for in the bill requires a specific renewable requirement for diesel fuel, increasing the minimum renewable requirement in the diesel pool from 500 million gallons in 2009 to one billion gallons by 2012. The fuel testing and labeling requirements in the bill should help promote consumer and manufacturer confidence in renewable fuels and help ensure that only quality fuels are available for commercial sales.

The Energy Act also requires improvement of lighting energy-efficiency by 30 percent, which will effectively phase out sales of incandescent light bulbs between in 5-7 years. Energy-efficient fluorescent and halogen bulbs cost more, but last 10 times longer and pay for themselves within a year from the savings in electrical costs. Congressional leaders say the change will save consumers about \$13 billion a year by 2020.

The 822 page Act calls for energy efficiency improvements in federal buildings and new efficiency standards for construction of new commercial buildings with an aim that they produce as much electricity as they use. It establishes new energy efficiency standards for a wide variety of consumer products and commercial appliances, and offers tax incentives to encourage their purchase. Tax incentives are also provided for purchases of solar systems, energy-efficient hybrid, clean diesel, and fuel cell vehicles.

U.S. Senate Passes Farm Bill

After much debate, the U.S. Senate has finally passed the Farm, Nutrition, and Bioenergy Act of 2007 (H.R.2419) by a vote of 79 to 14. Several amendments were offered, but none were passed, including amendments by Senator Lugar (R-IN) and Senator Dorgan (D-ND), both seeking to reform agricultural payments by replacing subsidies with crop insurance and fixing income caps on payment eligibility, respectively.

Similar to the 2002 farm bill, the newly passed legislation includes a separate energy title, Title IX - Energy. Among the new programs established under this title, there is a payment program for producers of advanced biofuels, two programs to develop use of renewable woody biomass, and authority for a series of regional biomass crop experiments.

In Title XII - Tax and Trade Provisions, there are a number of provisions to promote the use of bioenergy, including a producer credit for cellulosic biofuels; a credit extension for small producers of ethanol; a two-year extension of the ethanol tariff; and a modified extension of the production credit for biodiesel and renewable diesel

products. This title also contains an alternative fuels credit for coal-to-liquids fuels, assuming that effective carbon capture and sequestration is successfully demonstrated.

The farm bill is now headed to a Senate-House conference to work out the differences between the two versions of H.R. 2419.

GRANTS

EPA Offers Up to \$7 Million in Grants for Methane to Markets Partnership

Earlier this month, EPA made up to \$7 million available through a grant solicitation for innovative international projects and activities as part of the Methane to Markets Partnership. The agency expects to award approximately 40 cooperative grants agreements ranging from approximately \$100,000 to \$700,000. The Methane to Markets partnership is an international initiative to reduce global methane emissions by promoting capture-and-use projects in oil and gas systems, coal mining, landfills, and animal waste management.

The estimated project period for awards is September 2008 through September 2011. Proposals are due by Feb. 22, 2008 at 4 p.m. EST. Click [here](#) for more information.

Defense Advanced Research Projects Agency Grants

Defense Advanced Research Projects Agency (DARPA) is soliciting innovative research proposals in the area of technologies that enable the affordable production of a surrogate for petroleum based military jet fuel (JP-8) from agricultural or aquacultural crops that are non-competitive with food material. This current solicitation expands the scope of the BioFuels program described in BAA06-43 to additionally focus on: (1) processes for the affordable and efficient conversion of cellulosic materials to JP-8, and (2) processes for the affordable and efficient production of algal feedstock material for conversion to JP-8. Proposed research should investigate innovative approaches that enable revolutionary advances in science, devices, or systems.

For more information, click [here](#), or contact Douglas Kirkpatrick, Program Manager, at (703) 526-4762 or Douglas.Kirkpatrick@darpa.mil.

Events

25x'25 Alliance Meeting

The Pennsylvania 25x'25 Alliance will hold its quarterly meeting from 10:30 am to 11:30 am on January 10 in Room D of the Pennsylvania Farm Show Complex. The meeting is open to the public. The alliance will discuss its 2007 successes and plans for the upcoming year.

The 25x'25 alliance seeks to have 25 percent of America's energy come from renewable sources by the year 2025, a policy endorsed by President Bush and Congress with passage of the Energy Independence Act this week. To learn more, visit www.25x25.org or stop by their booth in the Renewable Energy section of the Farm Show complex anytime from 9 am to 8 pm January 5-12.

Financial Services, Insurance Webinars for Biodiesel Producers

The AllThingsBiodiesel.com Web site, through the National Biodiesel Board (NBB), has teamed up with two more NBB members in offering valuable, free webinars to those in the biodiesel industry. Interested parties can virtually attend webinars on

financial services/lending and risk management/insurance for biodiesel companies.

January 17, [Huntleigh McGehee](#), a full-service insurance broker, will present the webinar, "Is Your Investment Property Insured?" on insurance and risk management will cover various types of coverage, what coverage is right for various business sizes, and more. The presentation will offer information on proper valuation of property, business interruption/extra expense and coinsurance.

January 24, [Biodiesel Financial Services](#), under parent company Vendor Lease Management Group, will host the webinar, "Financing Options for Equipment Acquisition." Biodiesel Financial Services, in "Financing Options for Equipment Acquisition," will cover where companies can get financing for things other than construction, with options such as banks, loan companies, shareholders and other innovative ways. It will also discuss types of lease financing available and their different structures.

To register and for details, visit "[Financing Options](#) " and "[Investment Insured Properly](#)." Biodiesel Financial Services and Huntleigh McGehee will provide more webinars later as requested.

January 7-12, Duke Short Course Promotes Wood As a Carbon Neutral Fuel

The Duke Environmental Leadership program is hosting a six day short-course on Affordable Energy, Forest Health and Community Sustainability January 7-12. The course reflects the fact that a synergy exists which has allowed people in many advanced countries to build markets for poor quality trees and waste wood as a carbon neutral renewable fuel, providing money to fund forest improvement and restoration practices.

The short course should be beneficial to those on the energy using side for heating and cooling. Completion of the course will include a certificate that can be used by energy and HVAC design professionals needing Professional Development Hours for their licensing or registrations in most states. CFE credits for foresters and SFI credits for timber harvesting operations have also been applied for. More information is available by contacting the Duke Environmental Leadership Program at del@duke.edu or (919) 613-8082.

March 4-6, Washington International Renewable Energy Conference 2008 (WIREC), Washington, D.C.

WIREC 2008 will focus on the four pillars necessary to support renewable energy industries: Agriculture and Rural Development, Technology/Research and Development, Finance, and Commercialization. Click [here](#) for more information.

April 15-17, Biomass '08 Conference and Trade Show, 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. Click [here](#) for more information.

News Clips

[Tioga County planners give preliminary approval for wind turbine project](#)

[Mayfield already burned by coal](#)

[Northern Tier Solid Waste Authority, which generates electricity from methane at its landfill. may sell energy to Bradford County.](#)

[Ethanol industry still in pre-infancy stage in NEPA](#)

[Official tours industrial land proposed for energy plant](#)

[California's emission-control law upheld on 1st test in U.S. court](#)

[White House Climate Science Manipulation Alleged](#)

[World Bank launches forest carbon fund](#)

[Arctic summers ice-free 'by 2013'](#)

[Feds drive home fuel economy bill](#)

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