SUBJECT: Expanding agricultural biomass incentive program

COMMITTEE: Agriculture and Livestock — committee substitute recommended

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,* Charles Cotter, Biomass Energy Resources LLC; Billy Howe, Texas Farm Bureau; Thomas Lambert, Landmark Structures)

Against — (*Registered, but did not testify,* Josh Winegarner, Texas Cattle Feeders Association)

BACKGROUND: The 80th Legislature in 2007 enacted HB 1090 by Swinford, which created the agricultural biomass and landfill diversion incentive program. Through the program, TDA provides grants to farmers, loggers, and diverters to deliver biomass to electric energy facilities to be used for electric energy generation.

DIGEST: HB 4031 would add co-firing biomass to the types of biomass available for grants through TDA's agricultural biomass and landfill diversion incentive program. The bill also would add renewable biomass aggregators and bio-coal fuel producers to the individuals eligible to receive $20 per ton of biomass through the grant program.

Co-firing biomass would be defined as a solid fuel that:

- contained agricultural biomass;
- was produced by a renewable biomass aggregator and bio-coal fuel producer; and
- was used to supplement coal combustion for the generation of electricity.

The definition of agricultural biomass would be expanded to include cotton gin trash, corn stover, milo, sugarcane bagasse, switchgrass, wood from state forest cuttings, and brush management cuttings from private land.

The bill would take effect September 1, 2009.

SUPPORTERS SAY:

Texas emits more carbon dioxide than any other state in the nation. Increased reliance on renewable energy sources like wind, solar and biomass helps decrease the state's greenhouse gas emissions. Last session, the Legislature voted to create a program to make biomass cost-competitive with other forms of energy. HB 4031 would expand this program to include co-firing, a technique that would reduce carbon emissions even further by encouraging existing coal-fired plants to substitute some of their coal with clean biomass.

The bill would allow coal-fired plants to retrofit their facilities to allow for the co-firing of biomass along with coal. Co-firing biomass along with coal can substantially decrease emissions at coal-fired plants by decreasing the amount of coal used for fuel. These hybrid coal-biomass plants would be assured a reliable and cheap biomass supply if grants were distributed to renewable biomass aggregators and bio-coal fuel producers. Biomass can be substituted for up to 5 percent of coal at a low incremental cost, while up to 15 percent is possible with moderate plant upgrades. The bill would make biomass a more economically feasible source of energy in both conventional and non-conventional energy production.

HB 4031 would benefit the environment by diverting even more waste from landfills and reducing the amount of refuse openly burned. The bill would expand the definition of agricultural biomass to include cotton stalks and plants, which are excellent sources of biomass fuel. Through the incentive program, aggregators of these plant waste items would be encouraged to transport them to cleaner energy plants rather than disposing of them in landfills.

The program was created to attract new biomass companies and assist power electric grids, not to subsidize existing private biomass operations that do not contribute electricity to power grids. While some advocated applying the program to existing biomass plants, these existing plants potentially could consume all of the program's funding. One of the goals

of this program is to attract new businesses to Texas, which may not happen if existing businesses received all of the incentives.

OPPONENTS SAY:

This bill should apply to all biomass plants, not just ones that are opened after August 31, 2009. The biomass facilities that currently are in operation are helping to decrease the levels of harmful substances in the air by burning a clean, renewable source of fuel. These facilities took the initiative to make a capital investment in a renewable energy source without receiving any incentives from the government. Now that there is a program that provides government subsidies to biomass plants, these plants should be the first to qualify.

NOTES:

The committee substitute expanded the definition of diverter to include biomass aggregators and bio-coal fuel producers.