

## **BILL ANALYSIS**

Senate Research Center  
81R11321 BEF-D

H.B. 2318  
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Natural Resources  
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Engrossed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

The large dairy industry has been accused of excess methane runoff in certain areas and is currently affecting water quality. One step toward solving this problem is to incentivize renewable methane production. This would motivate the dairy industry to collect waste and use it as energy on the farm or sell it for a profit.

The economic analysis of different biofuels shows that biodiesel is not as helpful to the state as renewable methane or fuel ethanol; therefore, the incentive should be decreased for production.

This bill amends the Agriculture Code to modify the Fuel Ethanol and Biodiesel Production Incentive Program to add renewable methane to the types of fuels eligible for renewable energy incentives through the Texas Department of Agriculture. The bill requires producers to pay a fee of 3.2 cents per gallon and TDA to pay producers 20 cents for each Million British thermal units (MMBtu) of renewable methane produced. The bill also reduces the amount of incentive money paid to biodiesel producers to a payment of 10 cents per gallon of biodiesel produced and to pay a fee of 1.6 cents for each gallon.

H.B. 2318 amends current law relating to the fuel ethanol and biodiesel incentive program of the Texas Department of Agriculture.

### **RULEMAKING AUTHORITY**

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends the heading to Chapter 16, Agriculture Code, to read as follows:

#### CHAPTER 16. FUEL ETHANOL, RENEWABLE METHANE, AND BIODIESEL PRODUCTION INCENTIVE PROGRAM

SECTION 2. Amends Section 16.001, Agriculture Code, by amending Subdivisions (1) and (6) and adding Subdivision (4-a), to redefine "account" and "producer" and to define "renewable methane."

SECTION 3. Amends Sections 16.002(a) and (b), Agriculture Code, as follows:

(a) Requires a producer, to be eligible for a grant for fuel ethanol, renewable methane, or biodiesel produced in a plant, to apply to the Texas Economic Development and Tourism Office (office) for the registration of the plant.

(b) Makes a conforming change.

SECTION 4. Amends Section 16.003(a), Agriculture Code, to require a producer, on or before the fifth day of each month, to report to the office on the number of gallons of fuel ethanol or biodiesel or MMBtu or renewable methane.

SECTION 5. Amends the heading to Section 16.004, Agriculture Code, to read as follows:

Sec. 16.004. FUEL ETHANOL, RENEWABLE METHANE, AND BIODIESEL PRODUCTION ACCOUNT.

SECTION 6. Amends Section 16.004(a), Agriculture Code, to make a conforming change.

SECTION 7. Amends the heading to Section 16.005, Agriculture Code, to read as follows:

Sec. 16.005. FEE ON FUEL ETHANOL, RENEWABLE METHANE, AND BIODIESEL PRODUCTION.

SECTION 8. Amends Sections 16.005(a), (b), and (d), Agriculture Code, as follows:

(a) Requires the office to impose a fee on each producer in an amount equal to 3.2 cents for each gallon of fuel ethanol or MMBtu of renewable methane and 1.6 cents for each gallon of biodiesel produced in each registered plant operated by the producer.

(b) Makes a conforming change.

(d) Makes a conforming change.

SECTION 9. Amends the heading to Section 16.006, Agriculture Code, to read as follows:

Sec. 16.006. FUEL ETHANOL, RENEWABLE METHANE, AND BIODIESEL GRANTS.

SECTION 10. Amends Sections 16.006(a), (b), (c), and (e), Agriculture Code, to make conforming changes.

SECTION 11. Provides that the changes in a fee charged or a payment made for the production of biodiesel under Sections 16.005 and 16.006, Agriculture Code, as amended by this Act, apply only to biodiesel produced on or after the effective date of this Act.

SECTION 12. Effective date: upon passage or September 1, 2009.