

Making a Digester Project Work Financially

Farm Bill Section 9007 and USDA Funding

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Agenda

USDA funding for Anaerobic Digesters

- Rural Development funding
 - 2002 Farm Bill:
 - Section 9006: Renewable Energy and Energy Efficiency Program
 - 2008 Farm Bill:
 - Section 9007: Rural Energy for America Program
- Other USDA funds
 - NRCS Environmental Quality Incentives Program (EQIP)
- Highlights of Economic Recovery Plan
 - Spending
 - Tax cuts



Section 9006 grants and loan awards to AD projects

With leveraging, electricity, and carbon impacts

Fiscal Year	Number of projects	Grant Amount	Loan Amount	Leveraging	kWh/year generated	CO2 (metric tons)
2003	33	7,518,530		58,034,651	138,934,992	119,484
2004	37	9,508,946	9,830,000	35,651,882	133,553,644	114,856
2005	14	5,018,017	-	19,905,641	51,424,869	44,226
2006	11	2,915,457	1,065,850	8,758,089	34,970,391	30,074
2007	15	5,468,815	3,259,027	19,958,894	34,787,904	29,918
2008	10	10,165,952	4,981,440	21,017,590	55,423,731	46,106
Totals	121	40,595,717	19,136,317	163,326,747	449,095,531	384,664



Section 9007 -- Rural Energy for America Program (REAP)

Successor to Section 9006

Provides for grants and/or loan guarantees for renewable energy systems and energy efficiency improvements for agricultural producers and rural small businesses.

Program demand for Section 9006 exceeded 3 times available funds

Funding increased to \$255 million over four years

Additional \$100 million authorized in 5-year discretionary spending

REAP mandatory funding nearly triples that of 9006

To \$63 million/year from \$23 million/year annual average basis



Section 9007 -- Rural Energy for America Program (REAP)

Mandatory funding

The limit on the maximum amount of the combined loan and grant is increased from 50 percent to 75 percent of the funded activity

The grant portion cannot exceed 25 percent of the cost of the activity

Mandatory funding for this program is:

<u>Fiscal Year</u>	<u>Amount</u>
2009	\$50 million
2010	\$60 million
2011	\$70 million
2012	\$70 million

An additional \$25 million/year is also authorized

The Secretary of Agriculture is encouraged to continue funding animal manure digester projects!



Section 9007 -- Rural Energy for America Program (REAP)

Includes energy audit/technical assistance component

Grants allocated to state and regional entities:

State governments, universities, rural electric cooperatives, others

To help farmers and rural businesses become more energy efficient and effectively use renewable energy technologies

\$10.2 million over four years is reserved for energy tech. assistance.
(Authorized in 2002 Farm Bill but not funded.)

Feasibilities funded for up to 25% match for study costs

No more than 10% of program funds can be awarded for feasibilities



Who is eligible?

Requirements for eligible applicants:

- Agricultural Producers and Small Businesses
- If individuals, must be U.S. citizens or legal permanent residents of the U.S.
- If an entity, must be at least 51 percent owned by individuals who are either U.S. citizens or legal permanent residents of the U.S.



What projects are eligible?

Requirements for eligible renewable energy or energy efficiency projects:

- Must be located in a rural area
- Must be for commercially available and replicable technology
- Must be technically feasible
- Must have sufficient revenues to provide for operation and maintenance

The applicant must be the owner and control the operation and maintenance of the proposed project.



What are Eligible Costs?

- Post application purchase and installation of equipment, **except agricultural tillage equipment and vehicles**
- Post application construction or project improvements, **except residential**
- Energy audits or assessments
- Permit fees
- Professional service fees, **except for application preparation**
- Feasibility studies
- Business plans
- Retrofitting
- Construction of a new facility – **same purpose, same size, provides more energy savings than improving an existing facility**



What costs are NOT eligible?

- **Residential improvements**
- **Energy efficiency improvements related to new construction**
- **Agricultural tillage equipment**
- **Vehicles**
- **Applicant in-kind contributions**



Grant limitations: anticipated

Grants request must not exceed 25% of project costs

– Renewable Energy

- Minimum grant request: \$2,500
- Maximum grant request: \$500,000

– Energy Efficiency

- Minimum grant request: \$1,500
- Maximum grant request: \$250,000



Guaranteed Loan limitations: anticipated

Guaranteed Loan request must not exceed 75% of project costs (*including grant funds, if applicable*)

– Renewable Energy:

- **Minimum request: \$5,000**
- **Maximum request: \$25,000,000**

– Energy Efficiency

- **Minimum request: \$5,000**
- **Maximum request: \$25,000,000**



Other application requirements

To qualify for funding, the application will also have to pass:

- Technical Review (USDA, DOE, NREL)**
- National Environmental Policy Act (NEPA) Review**



Technical review requirements

Different Technology Requirements for:

- Biomass, Bioenergy
- **Anaerobic Digester**
- Geothermal, electric generation
- Geothermal, direct use
- Hydrogen, from Renewable Energy Sources
- Solar, small (10 kW or smaller)
- Solar, large (larger than 10 kW)
- Wind, small (100 kW or smaller)
- Wind, large (larger than 100 kW)
- Hydrokinetic: hydro power, tidal, wave, current, thermal
- Energy Efficiency



Benefits to businesses

Benefits to businesses include:

- Higher loan amounts
- Stronger loan applications
- Lower interest rates
- Longer repayment term



Benefits to lenders

Lender benefits include:

- Expands lender's loan portfolio
- Allows lenders to make loans above loan limits
 - Protecting guaranteed portion of loan against loss by the Federal Government
 - Existing secondary market for REAP guarantees helps to satisfy Community Reinvestment Act (CRA) requirements
- Allows lenders to use their own forms, loan documents, and security instruments



Environmental Quality Incentives Program (EQIP)

Natural Resources Conservation Service (NRCS) provides assistance to agricultural producers to promote agricultural production and environmental quality

Cost-sharing may pay up to 75 percent of the costs of certain conservation practices, such as manure management facilities

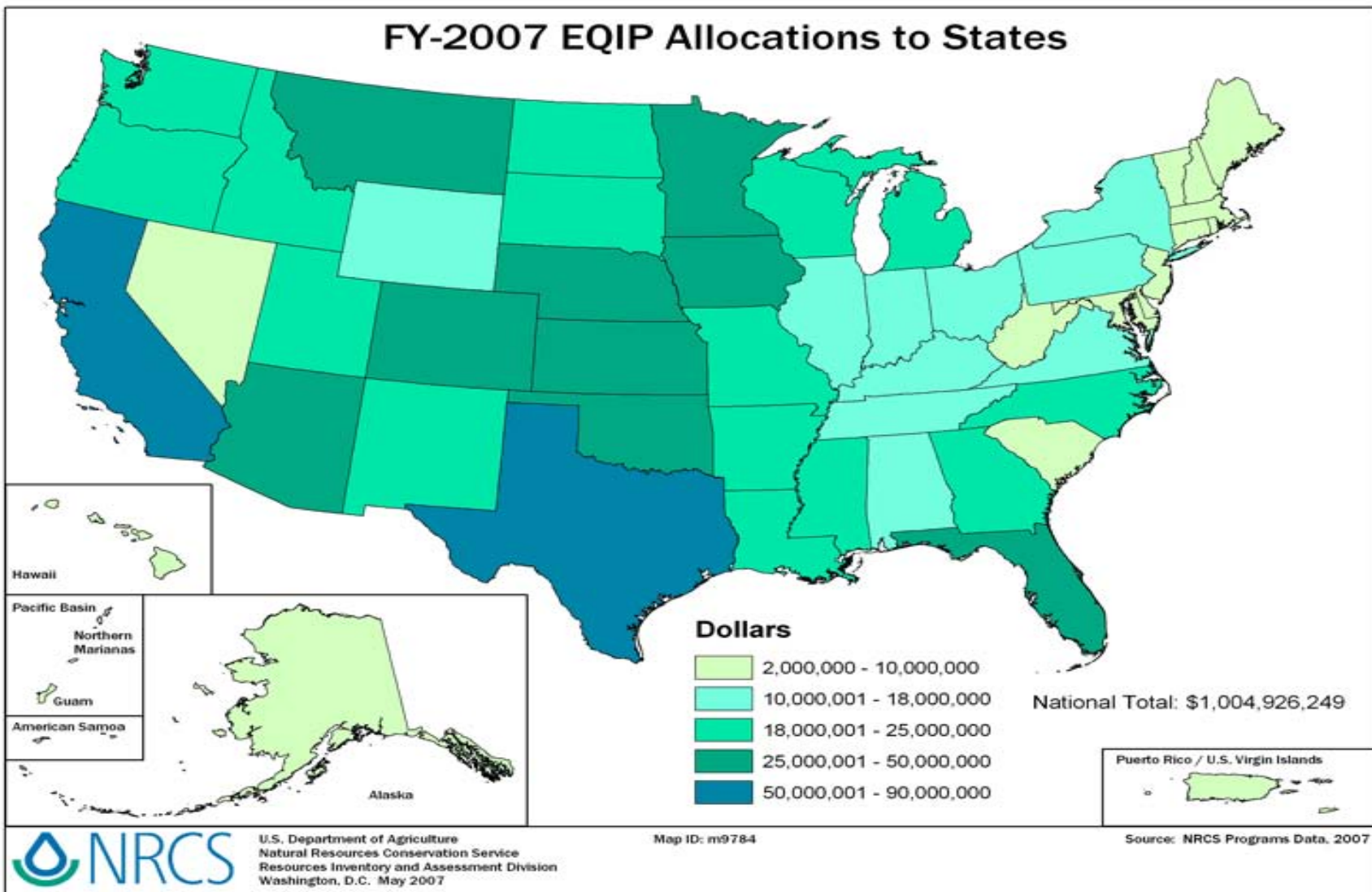
Payments may be provided for up to three years to encourage producers to carry out management practices that they otherwise might not implement.

2002 Farm Bill limited the total amount of cost-share and incentive payments to \$450,000

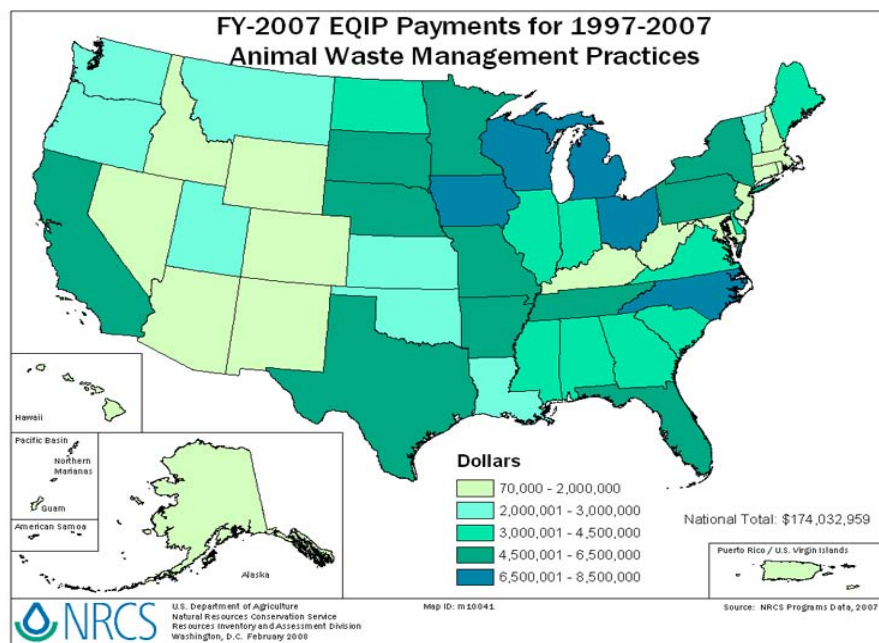
For More Information about EQIP, please contact your local USDA Service Center



FY-2007 EQIP Allocations to States



Idaho Dairies to Get EQIP Funds for Anaerobic Digesters



JEROME -- Two Idaho dairies have qualified for \$450,000 grants from the federal government to help pay for anaerobic manure digesters.

Greg Ledbetter of Jerome with C Bar M Dairy and Jim and Marcella Stewart of Nampa with Stewart Farms, Inc., will receive the grants to proceed with digesters to dispose of manure and generate electricity.

State officials want to see if the digester can help reduce dairy odors.

The money comes from the 2002 Farm Bill's Environmental Quality Incentives Program, better known as EQIP. "It's the first time anyone in Idaho has been awarded money for digesters," said Richard Simms, state conservationist for the Natural Resources Conservation Service.



Highlights of Economic Recovery Plan

Spending

Energy -- \$32 billion

\$20 billion funding for "smart electricity grid" to reduce waste

\$6 billion **Renewable Energy Tax Credits**

Tax credit for energy-related R&D

Multiyear extension of **renewable energy production** tax credit

\$6 billion to weatherize modest-income homes



Highlights of Economic Recovery Plan

Tax cuts

Businesses:

Bonus depreciation for businesses investing in new plants and equipment

Doubling of the amount small businesses can write off for capital investments and new equipment purchases

