

## **BILL ANALYSIS**

H.B. 2318  
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Agriculture & Livestock  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

The large dairy industry has caused excess runoff in the Bosque River area and is negatively affecting the water supply in the Waco and Sulphur Springs areas. Animal waste is a pollutant, but the methane it contains is a resource. Therefore, one step toward solving the problem is to create incentives for 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.

H.B. 2318 entitles producers of renewable methane to incentives in the form of grants and reduces incentive payments for biodiesel.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

H.B. 2318 amends the Agriculture Code to add renewable methane to the fuel ethanol and biodiesel production incentive program and to change the title of that program accordingly. The bill defines "renewable methane" as methane gas derived from animal waste or an agricultural byproduct, including creamery or fruit waste or corn silage. The bill amends the definition of "producer" to include a person who operates a renewable methane plant. The bill redefines "account," in reference to the account in the general revenue fund that receives fees and other monetary transfers for the program, to make a conforming change including renewable methane in the name of that account. The bills makes other conforming changes.

H.B. 2318 reduces the required fee imposed on a biodiesel producer by the Texas Economic Development and Tourism Office from 3.2 cents to 1.6 cents per gallon of biodiesel produced in each registered plant operated by the producer. The bill requires that office to impose a fee on each producer of renewable methane in an amount of 3.2 cents per MMBtu. The bill prohibits the office from imposing such fees on a producer for more than 18 million MMBtu produced at any one registered plant each fiscal year. The bill prohibits the office from imposing fees on a producer for renewable methane produced at a registered plant after the 10th anniversary of the date production from the plant begins.

H.B. 2318 reduces from 20 cents to 10 cents the amount a biodiesel producer is entitled to receive as a grant for each gallon of biodiesel produced in each registered plant operated by the producer until the 10th anniversary of the date production from the plant begins. The bill entitles a producer of renewable methane to receive 20 cents per MMBtu of renewable methane produced in each registered plant operated by that producer until the 10th anniversary of the date production from the plant begins. The bill prohibits receipt of grants for more than 18 million MMBtu of renewable methane produced at any one registered plant during a fiscal year. The bill applies to renewable methane provisions that allow for a proportionate reduction of grant amounts if the office determines that the amount of money credited to the fuel ethanol,

renewable methane, and biodiesel production account is not sufficient to distribute the full amount of grant funds.

**EFFECTIVE DATE**

On passage, or, if the act does not receive the necessary vote, the act takes effect September 1, 2009.