

## **BILL ANALYSIS**

Senate Research Center

H.B. 4031  
By: McCall, Branch (Seliger)  
Natural Resources  
5/23/2009  
Committee Report (Amended)

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

The federal government has prioritized energy independence and climate change initiatives that will drive significant financial and operational challenges within the power generation industry. The United States Congress is developing a national Renewable Portfolio Standard of 25 percent by 2025 and a carbon dioxide (CO2) emissions cap and trade system that will drive a 25 percent reduction in CO2 emissions by 2025 and an 80 percent reduction by 2050.

As the largest emitter of CO2 in the United States, Texas faces the largest financial and operational impact of federal mandates. Renewable energy from wind, solar, and biomass provide options to offset CO2 emissions. All options are necessary and viable and all options have known limitations. Co-firing bio-coal, however, provides an option to preserve the coal-fired power generation assets, reduce the financial impact of a cap and trade system, and assist in meeting increased renewable energy production targets. The 80th Legislature, Regular Session, 2007, enacted H.B. 1090 to create an agricultural biomass and landfill diversion incentive program at the Texas Department of Agriculture. This program provides grants to encourage the construction of facilities that generate electric energy with certain types of agricultural residues to promote the advancement of renewable energy in Texas.

H.B. 4031 expands the types of biomass to which, and the types of recipients to whom, the grant program applies. The bill adds co-firing biomass and new types of crop residues and wood waste. The bill also adds a renewable biomass aggregator and bio-coal fuel producer as a qualified grant recipient.

### **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 Section 22.002, Agriculture Code, by amending Subdivisions (1) and (5) and adding Subdivisions (1-a) and (5-a), to define "co-firing biomass" and "renewable biomass aggregator and bio-coal fuel producer" and redefine "diverter" and "qualified agricultural biomass."

SECTION 2. Amends Section 22.003, Agriculture Code, by amending Subsections (a)-(f) and adding Subsection (h), as follows:

- (a) Requires the Texas Department of Agriculture to develop and administer an agricultural biomass and landfill diversion incentive program to make grants to farmers, loggers, diverters, and renewable biomass aggregators and bio-coal fuel producers who provide qualified agricultural biomass, forest wood waste, urban wood waste, co-firing biomass, or storm-generated biomass debris to facilities that use biomass to generate electric energy in order to provide an incentive for the construction of facilities for that purpose and to promote economic development; encourage the use of renewable sources in the generation of electric energy; reduce air pollution caused by burning agricultural biomass, forest wood waste, urban wood waste, co-firing biomass, or storm-generated biomass debris in open fields; and divert waste from landfills. Makes a nonsubstantive change.

(b) Makes conforming changes.

(c) Makes conforming changes.

(d) Makes a conforming change.

(e) Makes conforming changes.

(f) Makes a conforming change.

(h) Provides that, notwithstanding Subsection (b)(2) (relating to the entitlement of a farmer, logger, diverter, or renewable biomass aggregator and bio-coal fuel producer to receive a grant for certain items in a form suitable for generating electric energy to a facility that was placed in service after August 31, 2009), a facility placed in service before August 31, 2009, is eligible for reimbursement under this chapter if another facility placed in operation after August 31, 2009, is located 25 miles or less from the existing facility.

SECTION 3. Effective date: September 1, 2009.

### **SUMMARY OF COMMITTEE CHANGES**

Amends H.B. 4031 (engrossed version) by adding the following appropriately numbered SECTIONS to the bill and renumbering subsequent SECTIONS of the bill accordingly:

SECTION \_\_\_\_\_. Section 22.004(c), Agriculture Code, is amended to read as follows:

(c) Money in the account may be appropriated only to TDA for the purpose of implementing, ~~and~~ maintaining, and administering the agricultural biomass and landfill diversion incentive program.

SECTION \_\_\_\_\_. The heading to Section 22.005, Agriculture Code, is amended to read as follows:

Sec. 22.005. LIMITATION ON GRANT AMOUNT; SCHEDULE OF PAYMENTS.

SECTION \_\_\_\_\_. Section 22.005, Agriculture Code, is amended by adding Subsection (c) to read as follows:

(c) On a determination that money in the agricultural biomass and landfill diversion incentive account is insufficient to pay reimbursements under Section 22.003 or grants under Section 22.006, the department, in consultation with interested parties, may develop a proportionate and equitable schedule to pay the reimbursements or grants. In developing a schedule to pay reimbursements or grants under this subsection, the department may consider a facility's effect on wages and job creation or job retention, level of capital investment, and effect on the local economy and the economy of this state.