

Amendment 799 Prohibit Funds for the Rural Energy for America Program (REAP)

This amendment would end the Rural Energy for America Program (REAP)—one of the many biofuels programs operated by the Rural Development agency.

REAP has two funding sources. It receives mandatory funding automatically from the farm bill and discretionary funding from appropriations bills. For mandatory, it is provided \$60 million in FY 2010, \$70 million in FY 2011, and \$70 million in FY 2012. For discretionary, it received an additional \$39 million in FY 2010, \$5 million in FY 2011, and \$4.5 million in this FY 2012 appropriations bill. The House funded it this year at \$2.28 million.

USDA biofuels programs primarily incentivize the production of ethanol and biodiesel. REAP provides grants and loan guarantees to agriculture producers and rural small businesses for the purchase of renewable energy systems, energy audits, and making energy efficiency improvements.

USDA biofuels and biomass programs are redundant

There are approximately 70 programs and initiatives across two federal departments and one agency (USDA, DOE, and EPA) that promote biofuels and biomass.

Funding advanced biofuel production makes for another Solyndra-like situation waiting to happen, especially considering USDA does not have the expertise that the Department of Energy would normally have in this area—the agency behind the Solyndra scandal.

It is unclear if REAP or biofuels programs in general have even achieved a worthwhile level of success.

What we *do* know is that the National Research Council (a division of the National Academy of Sciences) reported **the U.S. is not likely to meet its advanced biofuels targets under the Renewable Fuels Standards** (the federal mandate that requires a minimum production of biofuels in the

nation's fuel supply), because the technology is still not viable or cost-competitive on a commercial scale. In fact, EPA was forced to reduce the targets under the Renewable Fuels Standards for cellulosic ethanol.

The report notes that biofuels would only be cost-competitive when oil prices are high—around \$191 per barrel—and in the presence of sizable subsidies and carbon policies that discourage petroleum-based fuels.

The report also questions the benefits of biofuels in general. It states, “RFS [the federal biofuels mandate] may be an ineffective policy for reducing global greenhouse-gas emissions because the effect of biofuels on greenhouse-gas emissions depends on how the biofuels are produced and what land-use or land-cover changes occur in the process.”

Meanwhile, USDA's spending on biofuels programs has increased 87 percent since 2007.¹

Overall, the niche programs are funded despite a lack of evidence of success or job creation.

A few troubling examples (the *other* Solyndras):

- Range Fuels in Georgia that received federal support but closed after producing 100,000 gallons of cellulosic ethanol, which stakeholders have cited “...a case of good money thrown at unproven science and lofty promises.” (Approximately \$48 million)²
- Northern Nevada Correctional Center biomass plant intended to fuel the needs of the prison, closed despite a federal grant³
- Riksch Biofuels of Crawfordsville, Illinois, produced biodiesel from soybeans but closed in 2009 despite a receiving a USDA loan guarantee⁴

¹ <http://www.eia.gov/analysis/requests/subsidy/>

² <http://www.ajc.com/business/plant-closure-bursts-ga-838588.html>

³ <http://online.wsj.com/article/SB10001424052748704116004575521713188253290.html>

⁴ <http://thegazette.com/2011/03/02/shuttered-biodiesel-plant-in-crawfordsville-to-be-auctioned>

- Green Country Biodiesel in Chelsea, Oklahoma, received \$65,000 from USDA. Earth Biofuels in Bryan County, Oklahoma, faced a similar fate, although its funding came from another federal agency.⁵
- Cello Energy in Alabama expected to produce 20 million gallons of cellulosic ethanol but closed before ever producing a single gallon.⁶
- Global Green Solutions, Inc. converts biomass to steam. The company has not met required testing goals and halted operations

Biofuels production has reached a point where the technology and consumer demand will either encourage commercial production or shift towards other products. Federal intervention at this stage in the process only serves to distort markets. Congress should begin scaling back funding for biofuels.

⁵ http://coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=4f875398-b8bd-4fff-a37a-2cfe984bc3ec

⁶ <http://www.ajc.com/business/plant-closure-bursts-ga-838588.html>