

**REVENUE:** Revenue statement issued

**FISCAL:** Fiscal statement issued

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**Action:** Do pass as amended and be printed engrossed.  
**Vote:** 9-0-0  
**Yeas:** Berger, Bruun, Butler, Gelser, Olson, Read, Rosenbaum, Witt, Barnhart  
**Nays:**  
**Exc.:**

**Prepared By:** Chris Allanach, Economist  
**Meeting Dates:** 2/13, 2/15, 2/19

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**WHAT THE BILL DOES:** Allows income and corporate excise tax credit for agricultural producers and collectors of biofuel raw materials (including forest or agriculture-sourced woody biomass, oil seed crops, grain crops, grass or wheat straw and animal rendering byproducts) used to produce fuel in Oregon. Specifies amount of credit per type of biomass. Allows income tax credit for consumers who purchase ethanol blended at 85 percent ethanol concentration and biodiesel blended at 99 percent biodiesel concentration for use in alternative fuel vehicles. Allows consumer tax credits for purchase of forest or agriculture waste or residue solid biofuel that contains 100 percent biomass (pellets) and biodiesel for home heating at 20 percent concentration of biodiesel. Sunsets the producer and consumer credits on January 1, 2013. Expands local property tax exemption for energy production facilities that produce ethanol, biofuel or verified fuel additives. Creates standards for biodiesel, ethanol and other renewable diesel to be monitored by Oregon Department of Agriculture. Requires Oregon Department of Agriculture to monitor biodiesel fuel production, and ethanol production capacity in Oregon to initiate minimum fuel blending requirements statewide for biodiesel and ethanol. Requires retail sellers of gasoline to sell only gasoline that contains at least 10 percent ethanol within three months after Oregon production of ethanol reaches 40 million gallons per year. Requires retail sellers of diesel to sell only diesel that contains at least two percent biodiesel within three months after production of biodiesel in the state, using feedstocks from Oregon, Washington and Idaho, reaches five million gallons annualized for at least three months. Requires retail sellers of diesel to sell only diesel that contains at least five percent biodiesel within three months after production of biodiesel in the state, using feedstocks from Oregon, Washington and Idaho, reaches 15 million gallons annualized for at least three months. Excludes diesel fuel sold for use by locomotives, marine engines or home heating from the biodiesel fuel content requirements. Restricts proportion of methyl tertiary butyl ether (MTBE) and other gasoline additives. Maintains exclusive farm use status for on-farm biofuel production facilities. Requires state-owned structures to use biofuel or direct-application electricity generated from biofuel, where diesel is currently used, for stationary or back-up generation. Required the Department of Energy to periodically conduct an impact study of the biofuels program.

**ISSUES DISCUSSED:**

- The renewable energy industry in Oregon
- Mandates contained in the bill
- Potential impact on food supply
- Details of the impact study contained in the bill
- Revenue impact assumptions
- Details of the producer credits
- As per Committee rules, the following metrics were adopted for evaluating the producer credit:
  - Amount of biofuel raw material collected or produced as a result of this tax credit.
  - Amount of liquid fuel or electricity produced from the material collected or produced.
  - Amount of energy produced (in million BTUs).
  - Annual dollar value of the energy produced.
  - Tons of CO2 emissions avoided.
  - Amount of fossil fuel displaced.
  - Total Average Payback Period / Return on Investment.
- As per Committee rules, the following metrics were adopted for evaluating the consumer credit:
  - Number of vehicles using B100 or E85 fuel; number of homes using highly-efficient wood stoves or B20 for heating.
  - Amount of gasoline or diesel replaced in vehicles (in gallons); amount of fossil fuel displaced by wood stoves, and amount of heating oil displaced by B20.
  - Amount of fossil energy displaced (in million BTUs).

- Annual dollar value of the biofuel energy consumed.
- Tons of CO2 emissions avoided.
- Total Average Payback Period / Return on Investment.

**EFFECT OF COMMITTEE AMENDMENTS:**

- Moved the property tax exemption from the Strategic Investment Program to the Rural Renewable Energy Development Zone program.
- Defined unit amounts for the producer credits.
- Defined “other renewable diesel” and included it when referencing biodiesel.
- Set consumer credit equal to \$0.50 per gallon or \$0.50 per bone dry ton, depending on substance.
- Set effective (January 1, 2007) and sunset (January 1, 2013) dates for the producer and consumer credits.
- Clarifies definition of “biomass”.
- Redirects the impact study to be conducted by the Department of Energy and appends the list of items to be included in the study.
- Clarifies that exclusive farm use status is maintained for on-farm biofuel production facilities.

**BACKGROUND:** Both the Senate and the House passed different versions of biofuels legislation in the 2005 session, but did not reach a compromise. Legislation was not enacted.