

REVENUE: May have revenue impact, statement not yet issued

FISCAL: May have fiscal impact, statement not yet issued

Action: Do Pass and Be Referred to the Committees on Finance and Revenue and then
Ways and Means by prior reference

Vote: 5 - 0 - 0

Yeas: Atkinson, Bates, Beyer, Prozanski, Avakian

Nays: 0

Exc.: 0

Prepared By: Sue Marshall, Administrator

Meeting Dates: 4/3, 4/12

WHAT THE MEASURE DOES: Authorizes the issuance of lottery bonds for grants to fund feasibility studies regarding the development necessary to construct cellulosic ethanol demonstration plants. Appropriates moneys from the Cellulosic Ethanol Demonstration Plant Project Fund to the Department of Energy to provide grants and loans to certain entities to undertake feasibility studies regarding development necessary to construct cellulosic ethanol demonstration plants. Sunsets June 30, 2010. Declares an emergency, effective on passage.

ISSUES DISCUSSED:

- National policy goal of 20 percent ethanol content in gasoline in the next ten years
- Escalating cost of corn due to demand and impact on food costs
- Availability of cellulose sources in Oregon
- Economic benefits to Oregon

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: Cellulosic ethanol is produced from cellulose fibers in wood, wheat straw and various feed stocks. Ethanol produced from these sources is considered more energy efficient, yielding more net energy, than corn ethanol as it is currently produced. Many in the ethanol business community believe that cellulosic ethanol production will overtake corn ethanol production in the next ten years. Proponents of Senate Bill 940 believe that there is a need to support initial feasibility studies of this emerging industry because of the high cost to build a commercial cellulosic ethanol plant (estimated at \$100,000).

Senate Bill 949 allows the State Treasurer, at the request of the Department of Energy, to issue lottery bonds to provide financial assistance and loans for feasibility studies to qualifying applicants. Under the measure, the aggregate principal amount of lottery bonds issued is not to exceed \$2 million, and the net proceeds of the lottery bonds issued will be deposited in the Cellulosic Ethanol Demonstration Plant Project Fund. Entities that apply for loans will pay an application fee.