

107TH CONGRESS  
1ST SESSION

# H. R. 3099

To provide for a Biofuels Feedstocks Energy Reserve, and to authorize the Secretary of Agriculture to make and guarantee loans for the production, distribution, development, and storage of biofuels.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 11, 2001

Ms. KAPTUR introduced the following bill; which was referred to the  
Committee on Agriculture

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## A BILL

To provide for a Biofuels Feedstocks Energy Reserve, and to authorize the Secretary of Agriculture to make and guarantee loans for the production, distribution, development, and storage of biofuels.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Biofuels Energy Inde-  
5 pendence Act of 2001”.

6 **SEC. 2. FINDINGS.**

7 The Congress finds as follows:

1           (1) The over reliance of the United States on  
2 imported petroleum creates a major strategic vulner-  
3 ability for the Nation, with nearly half of the energy  
4 supply of the United States dependent on foreign  
5 sources.

6           (2) From the economically damaging Arab oil  
7 embargoes of 1973–74 and 1979 to the current re-  
8 cession precipitated by rising oil prices which began  
9 in 1999, the economic stability of the United States  
10 has too often been shaken by economic forces out-  
11 side its borders.

12           (3) This Act would shift America’s dependence  
13 away from foreign petroleum as an energy source to-  
14 ward alternative, renewable, domestic agricultural  
15 sources. Its aim is to convert the current petroleum  
16 trade deficit to a trade balance by replacing foreign  
17 sources of supply with steady increases of biobased  
18 fuels through domestic production.

19           (4) Currently the United States annually con-  
20 sumes about 164,000,000,000 gallons of vehicle  
21 fuels and 5,600,00,000 gallons of heating oil. In  
22 2000, 52.9 percent of these fuels were imported,  
23 yielding a \$109,000,000,000 trade deficit with the  
24 rest of the world. Since 1983, the United States im-  
25 portation of petroleum and its derivatives has nearly

1       tripled, rising from 1,215,225,000 barrels in 1983 to  
2       3,319,816,000 barrels in 2000.

3               (5) Further Strategic Petroleum Reserve policy  
4       should encourage domestic production to the great-  
5       est extent possible. Currently the Strategic Petro-  
6       leum Reserve holds 545,000,000 barrels (out of a  
7       potential 700,000,000 barrels), sufficient to cushion  
8       the United States from wild price swings for a pe-  
9       riod of 53 days. None of the fuel in this Reserve is  
10      biobased. In fact, 92.2 percent of the Strategic Pe-  
11      troleum Reserve has been purchased from foreign  
12      sources: 41.9 percent from Mexico, 24 percent from  
13      the United Kingdom, and over 20 percent from  
14      OPEC nations.

15              (6) Strategic Petroleum Reserve policy also  
16      should encourage the development of alternatives to  
17      the Nation's reliance on petroleum such as biomass  
18      fuels.

19              (7) As a first step in diversification, the Stra-  
20      tegic Petroleum Reserve should exchange 2,100,000  
21      barrels from our current reserves for 32,000,000  
22      gallons of ethanol and biodiesel, which would com-  
23      prise less than 2 percent of the United States mar-  
24      ket, but yield a doubling of ethanol products.

25              (8) The benefits of biofuels are as follows:

1 (A) ENERGY SECURITY.—

2 (i) Biofuels hold potential to address  
3 our dependence on foreign energy sources  
4 immediately. With agricultural surpluses,  
5 commodity prices have reached record  
6 lows; concurrently world petroleum prices  
7 have reached record highs and are ex-  
8 pected to continue rising as global petro-  
9 leum reserves are drawn down over the  
10 next 25 years. It also is clear that eco-  
11 nomic conditions are favorable to utilize  
12 domestic surpluses of biobased oils to en-  
13 hance the Nation's energy security.

14 (ii) In the short term, biofuels can  
15 supply at least one-fifth of current United  
16 States fuel demand using existing tech-  
17 nologies and capabilities. Additional plant  
18 research, newer processing and distribution  
19 technologies, and placing additional acres  
20 under cultivation can yield even greater re-  
21 sults.

22 (iii) Biofuels can be used with existing  
23 petroleum infrastructure and conventional  
24 equipment.

25 (B) ECONOMIC SECURITY.—

1 (i) Continued dependence upon im-  
2 ported sources of oil means our Nation is  
3 strategically vulnerable to disruptions in  
4 our oil supply.

5 (ii) Renewable biofuels domestically  
6 produced directly replace imported oil.

7 (iii) Increased use of renewable  
8 biofuels would result in significant eco-  
9 nomic benefits to rural and urban areas  
10 and also reduce the trade deficit.

11 (iv) According to the Department of  
12 Agriculture, a sustained annual market of  
13 100,000,000 gallons of biodiesel alone  
14 would result in \$170,000,000 in increased  
15 income to farmers.

16 (v) Farmer-owned biofuels production  
17 has already resulted in improved income  
18 for farmers, as evidenced by the experience  
19 with State-supported rural development ef-  
20 forts in Minnesota where prices to corn  
21 producers have been increased by \$1.00  
22 per bushel.

23 (C) ENVIRONMENTAL SECURITY.—

24 (i) The use of grain-based ethanol re-  
25 duces greenhouse gas emissions from 35 to

1 46 percent compared with conventional  
2 gasoline. Biomass ethanol provides an even  
3 greater reduction.

4 (ii) The American Lung Association  
5 of Metropolitan Chicago credits ethanol-  
6 blended reformulated gasoline with reduc-  
7 ing smog-forming emissions by 25 percent  
8 since 1990.

9 (iii) Ethanol reduces tailpipe carbon  
10 monoxide emissions by as much as 30 per-  
11 cent.

12 (iv) Ethanol reduces exhaust volatile  
13 organic compounds emissions by 12 per-  
14 cent.

15 (v) Ethanol reduces toxic emissions by  
16 30 percent.

17 (vi) Ethanol reduces particulate emis-  
18 sions, especially fine-particulates that pose  
19 a health threat to children, senior citizens,  
20 and those with respiratory ailments.

21 (vii) Biodiesel contains no sulfur of  
22 aromatics associated with air pollution.

23 (viii) The use of biodiesel provides a  
24 78.5 percent reduction in CO<sub>2</sub> emissions  
25 compared to petroleum diesel and when

1                   burned in a conventional engine provides a  
2                   substantial reduction of unburned hydro-  
3                   carbons, carbon monoxide, and particulate  
4                   matter.

5 **TITLE        I—BIOFUELS        FEED-**  
6 **STOCKS   ENERGY   RESERVE**  
7 **PROGRAM**

8 **SEC. 101. ESTABLISHMENT.**

9        The Secretary of Agriculture (in this title referred to  
10 as the “Secretary”) may establish and administer a re-  
11 serve of agricultural commodities (known as the “Biofuels  
12 Feedstocks Energy Reserve”) for the purpose of—

13           (1) providing feedstocks to support and further  
14           the production of energy from biofuels; and

15           (2) supporting the biofuels energy industry  
16           when production is at risk of declining due to re-  
17           duced feedstocks or significant commodity price in-  
18           creases.

19 **SEC. 102. PURCHASES.**

20        (a) IN GENERAL.—The Secretary may purchase agri-  
21 cultural commodities at commercial rates, subject to sub-  
22 section (b), in order to establish, maintain, or enhance the  
23 Biofuels Feedstocks Energy Reserve when—

24           (1)(A) the commodities are in abundant supply;  
25           and

1           (B) there is need for adequate carryover stocks  
2           to ensure a reliable supply of the commodities to  
3           meet the purposes of the reserve; or

4           (2) it is otherwise necessary to fulfill the needs  
5           and purposes of the biofuels energy reserve program.

6           (b) LIMITATION.—The agricultural commodities pur-  
7           chased for the Biofuels Feedstocks Energy Reserve shall  
8           be—

9           (1) of the type and quantity necessary to pro-  
10          vide not less than 1-year's utilization for renewable  
11          energy purposes; and

12          (2) in such additional quantities to provide in-  
13          centives for research and development of new renew-  
14          able fuels and bio-energy initiatives.

15   **SEC. 103. RELEASE OF STOCKS.**

16          Whenever the market price of a commodity held in  
17          the Biofuels Feedstocks Energy Reserve exceeds 100 per-  
18          cent of the economic cost of producing the commodity (as  
19          determined by the Economic Research Service using the  
20          best available information, and based on a 3-year moving  
21          average), the Secretary shall release stocks of the com-  
22          modity from the reserve at cost of acquisition, in amounts  
23          determined appropriate by the Secretary.

1 **SEC. 104. STORAGE PAYMENTS.**

2 (a) IN GENERAL.—The Secretary shall provide for  
3 the storage of agricultural commodities purchased for the  
4 Biofuels Feedstocks Energy Reserve by making payments  
5 to producers for the storage of the commodities. The pay-  
6 ments shall—

7 (1) be in such amounts, under such conditions,  
8 and at such times as the Secretary determines ap-  
9 propriate to encourage producers to participate in  
10 the program; and

11 (2) reflect local, commercial storage rates, sub-  
12 ject to appropriate conditions concerning quality  
13 management and other factors.

14 (b) ANNOUNCEMENT OF PROGRAM.—

15 (1) TIME OF ANNOUNCEMENT.—The Secretary  
16 shall announce the terms and conditions of the stor-  
17 age payments for a crop of a commodity by—

18 (A) in the case of wheat, December 15 of  
19 the year in which the crop of wheat was har-  
20 vested;

21 (B) in the case of feed grains, March 15  
22 of the year following the year in which the crop  
23 of corn was harvested; and

24 (C) in the case of other commodities, such  
25 dates as may be determined by the Secretary.

1           (2) CONTENT OF ANNOUNCEMENT.—In the an-  
2           nouncement, the Secretary shall specify the max-  
3           imum quantity of a commodity to be stored in the  
4           Biofuels Feedstocks Energy Reserve that the Sec-  
5           retary determines appropriate to promote the orderly  
6           marketing of the commodity, and to ensure an ade-  
7           quate supply for the production of biofuels.

8           (c) RECONCENTRATION.—The Secretary may, with  
9           the concurrence of the owner of a commodity stored under  
10          this program, reconcentrate the commodity stored in com-  
11          mercial warehouses at such points as the Secretary con-  
12          siders to be in the public interest, taking into account such  
13          factors as transportation and normal marketing patterns.  
14          The Secretary shall permit rotation of stocks and facilitate  
15          maintenance of quality under regulations that assure that  
16          the holding producer or warehouseman shall, at all times,  
17          have available for delivery at the designated place of stor-  
18          age both the quantity and quality of the commodity cov-  
19          ered by the producer's or warehouseman's commitment.

20          (d) MANAGEMENT.—Whenever a commodity is stored  
21          under this section, the Secretary may buy and sell at an  
22          equivalent price, allowing for the customary location and  
23          grade differentials, substantially equivalent quantities of  
24          the commodity in different locations or warehouses to the  
25          extent needed to properly handle, rotate, distribute, and

1 locate the commodity that the Commodity Credit Corpora-  
2 tion owns or controls. The purchases to offset sales shall  
3 be made within 2 market days following the sales. The  
4 Secretary shall make a daily list available showing the  
5 price, location, and quantity of the transactions.

6 (e) REVIEW.—In announcing the terms and condi-  
7 tions under which storage payments will be made under  
8 this section, the Secretary shall review standards con-  
9 cerning the quality of a commodity to be stored in the  
10 Biofuels Feedstocks Energy Reserve, and such standards  
11 should encourage only quality commodities, as determined  
12 by the Secretary. The Secretary shall review inspection,  
13 maintenance, and stock rotation requirements and take  
14 the necessary steps to maintain the quality of the commod-  
15 ities stored in the reserve.

16 **SEC. 105. USE OF COMMODITY CREDIT CORPORATION.**

17 The Secretary shall use the Commodity Credit Cor-  
18 poration, to the extent feasible, to carry out this title. To  
19 the maximum extent practicable consistent with the effec-  
20 tive and efficient administration of this title, the Secretary  
21 shall utilize the usual and customary channels, facilities,  
22 and arrangements of trade and commerce.

1 **SEC. 106. REGULATIONS.**

2 Not later than 60 days after November 28, 2001, the  
3 Secretary shall issue such regulations as are necessary to  
4 carry out this title.

5 **TITLE II—BIOFUELS FINANCIAL**  
6 **ASSISTANCE**

7 **SEC. 201. LOANS AND LOAN GUARANTEES.**

8 (a) IN GENERAL.—The Secretary of Agriculture (in  
9 this section referred to as the “Secretary”) may make and  
10 guarantee loans for the production, distribution, develop-  
11 ment, and storage of biofuels.

12 (b) ELIGIBILITY.—

13 (1) IN GENERAL.—Except as provided in para-  
14 graph (2), an applicant for a loan or loan guarantee  
15 under this section shall be eligible to receive such a  
16 loan or loan guarantee if—

17 (A) the applicant is a farmer, member of  
18 an association of farmers, member of a farm co-  
19 operative, municipal entity, nonprofit corpora-  
20 tion, State, or Territory; and

21 (B) the applicant is unable to obtain suffi-  
22 cient credit elsewhere to finance the actual  
23 needs of the applicant at reasonable rates and  
24 terms, taking into consideration prevailing pri-  
25 vate and cooperative rates and terms in the  
26 community in or near which the applicant re-

1 sides for loans for similar purposes and periods  
2 of time.

3 (2) LOAN GUARANTEE ELIGIBILITY PRECLUDES  
4 LOAN ELIGIBILITY.—An applicant who is eligible for  
5 a loan guarantee under this section shall not be eli-  
6 gible for a loan under this section.

7 (c) LOAN TERMS.—

8 (1) INTEREST RATE.—Interest shall be payable  
9 on a loan under this section at the rate at which in-  
10 terest is payable on obligations issued by United  
11 States for a similar period of time.

12 (2) REPAYMENT PERIOD.—A loan under this  
13 section shall be repayable in not less than 5 years  
14 and not more than 20 years.

15 (d) REVOLVING FUND.—

16 (1) ESTABLISHMENT.—The Secretary shall es-  
17 tablish a revolving fund for the making of loans  
18 under this section.

19 (2) DEPOSITS.—The Secretary shall deposit  
20 into the revolving fund all amounts received on ac-  
21 count of loans made under this section.

22 (3) PAYMENTS.—The Secretary shall make  
23 loans under this section, and make payments pursu-  
24 ant to loan guarantees provided under this section,  
25 from amounts in the revolving fund.

1       (e) REGULATIONS.—The Secretary may prescribe  
2 such regulations as may be necessary to carry out this  
3 section.

4       (f) LIMITATIONS ON AUTHORIZATION OF APPROPRIA-  
5 TIONS.—For the cost (as defined in section 502(5) of the  
6 Federal Credit Reform Act of 1990) of loans and loan  
7 guarantees under this section, there are authorized to be  
8 appropriated to the revolving fund established under sub-  
9 section (d) of this section such sums as may be necessary  
10 for fiscal years 2002 through 2009.

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