

110TH CONGRESS  
1ST SESSION

# H. R. 2218

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

MAY 8, 2007

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 2007”.

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 recession  
8 precipitated by rising oil prices which began in 1999,  
9 the economic stability of the United States has too  
10 often been shaken by economic forces outside its  
11 borders.

12           (3) Increasing fuel prices have been a particular  
13 hardship on small, independent businessmen, par-  
14 ticularly truckers and farmers, who have no choice  
15 but to pay ever-increasing fuel bills while absorbing  
16 these higher costs in today’s economic environment.

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

24           (5) Today, there are nearly 140,000,000 cars  
25 and 95,000,000 trucks on our highways. More than

1 6,000,000 cars and trucks on our highways already  
2 run on 85 percent ethanol (E-85), and this number  
3 is increasing. For the 2007 model year, there are 23  
4 different models of vehicles capable of running on  
5 E-85. Of the nearly 200,000 retail locations selling  
6 motor fuel in the United States, approximately  
7 1,200 stations sell E-85, according to the Depart-  
8 ment of Energy.

9 (6) Biodiesel production is also dramatically in-  
10 creasing, going from 5,000,000 gallons in 2001 to  
11 nearly 250,000,000 gallons in 2006, according to  
12 the National Biodiesel Board. Daimler-Chrysler has  
13 initially fueled the Diesel Jeep Liberty with a 5 per-  
14 cent biodiesel blend, the first time a vehicle has been  
15 explicitly fueled with an alternative fuel as it rolls  
16 off the production line.

17 (7) In 2005, the United States consumed  
18 7,592,789,000 barrels of petroleum  
19 (183,917,825,000 gallons of vehicle fuel oil and  
20 14,103,222,000 gallons of residential heating oil).  
21 Since 1983, the United States importation of petro-  
22 leum and its derivatives has more than tripled, ris-  
23 ing from 1,215,225,000 barrels in 1983 to  
24 4,887,772,000 barrels in 2006. In 2006, the United  
25 States imported \$216,998,507,000 worth of crude

1 oil. The 20 percent increase in the price of imported  
2 energy products caused the United States trade def-  
3 icit in energy to rise by about \$50,000,000,000 to  
4 reach nearly \$300,000,000,000 in 2006.

5 (8) Further Strategic Petroleum Reserve policy  
6 should encourage domestic production to the great-  
7 est extent possible. Currently, the Strategic Petro-  
8 leum Reserve holds 689,200,000 barrels (out of a  
9 potential 727,000,000 barrels), sufficient to cushion  
10 the United States from wild price swings for a pe-  
11 riod of 56 days. None of the fuel in this Reserve is  
12 bio-based. In fact, 92.2 percent of the Strategic Pe-  
13 troleum Reserve has been purchased from foreign  
14 sources—41.9 percent from Mexico, 24 percent from  
15 the United Kingdom, and over 20 percent from  
16 OPEC nations.

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

21 (10) As a first step in diversification, the Stra-  
22 tegic Petroleum Reserve should exchange 2,100,000  
23 barrels from our current reserves for 32,000,000  
24 gallons of ethanol and biodiesel, which would com-

1       prise less than 2 percent of the United States mar-  
2       ket, but yield a doubling of ethanol products.

3               (11) The benefits of biofuels are as follows:

4                       (A) ENERGY SECURITY.—

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

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

1 (iii) Biofuels can be used with existing  
2 petroleum infrastructure and conventional  
3 equipment.

4 (B) ECONOMIC SECURITY.—

5 (i) Continued dependence upon im-  
6 ported sources of oil means our Nation is  
7 strategically vulnerable to disruptions in  
8 our oil supply.

9 (ii) Renewable biofuels domestically  
10 produced directly replace imported oil.

11 (iii) Increased use of renewable  
12 biofuels would result in significant eco-  
13 nomic benefits to rural and urban areas  
14 and also reduce the trade deficit.

15 (iv) According to the Department of  
16 Agriculture, a sustained annual market of  
17 100,000,000 gallons of biodiesel alone  
18 would result in \$170,000,000 in increased  
19 income to farmers.

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

1 per bushel. With the Department of Agri-  
2 culture forecasting a huge increase in corn  
3 prices, the per bushel price of corn is  
4 reaching \$3.70. The Department of Agri-  
5 culture estimates that 1,500,000,000 bush-  
6 els of corn, representing 14 percent of pro-  
7 jected corn production in the United  
8 States, were to be used for ethanol produc-  
9 tion in 2006. This totals approximately  
10 \$5,550,000,000 in value for the corn alone.

11 (C) ENVIRONMENTAL SECURITY.—

12 (i) The use of grain-based ethanol re-  
13 duces greenhouse gas emissions from 35 to  
14 46 percent compared with conventional  
15 gasoline. Biomass ethanol provides an even  
16 greater reduction.

17 (ii) The American Lung Association  
18 of Metropolitan Chicago credits ethanol-  
19 blended reformulated gasoline with reduc-  
20 ing smog-forming emissions by 25 percent  
21 since 1990.

22 (iii) Ethanol reduces tailpipe carbon  
23 monoxide emissions by as much as 30 per-  
24 cent.

1 (iv) Ethanol reduces exhaust volatile  
2 organic compounds emissions by 12 per-  
3 cent.

4 (v) Ethanol reduces toxic emissions by  
5 30 percent.

6 (vi) Ethanol reduces particulate emis-  
7 sions, especially fine-particulates that pose  
8 a health threat to children, senior citizens,  
9 and those with respiratory ailments.

10 (vii) Biodiesel contains no sulfur or  
11 aromatics associated with air pollution.

12 (viii) The use of biodiesel provides a  
13 78.5 percent reduction in CO<sub>2</sub> emissions  
14 compared to petroleum diesel and when  
15 burned in a conventional engine provides a  
16 substantial reduction of unburned hydro-  
17 carbons, carbon monoxide, and particulate  
18 matter.

## 19 **TITLE I—NATIONAL BIOFUELS** 20 **DEVELOPMENT**

### 21 **SEC. 101. LOANS AND LOAN GUARANTEES.**

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

1 (b) ELIGIBILITY.—

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

6 (A) the applicant is a farmer, member of  
7 an association of farmers, member of a farm co-  
8 operative, municipal entity, nonprofit corpora-  
9 tion, State, or Territory; and

10 (B) the applicant is unable to obtain suffi-  
11 cient credit elsewhere to finance the actual  
12 needs of the applicant at reasonable rates and  
13 terms, taking into consideration prevailing pri-  
14 vate and cooperative rates and terms in the  
15 community in or near which the applicant re-  
16 sides for loans for similar purposes and periods  
17 of time.

18 (2) LOAN GUARANTEE ELIGIBILITY PRECLUDES  
19 LOAN ELIGIBILITY.—An applicant who is eligible for  
20 a loan guarantee under this section shall not be eli-  
21 gible for a loan under this section.

22 (c) LOAN TERMS.—

23 (1) INTEREST RATE.—Interest shall be payable  
24 on a loan under this section at the rate at which in-

1       terest is payable on obligations issued by United  
2       States for a similar period of time.

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

6       (d) REVOLVING FUND.—

7               (1) ESTABLISHMENT.—The Secretary shall es-  
8       tablish a revolving fund for the making of loans  
9       under this section.

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

13              (3) PAYMENTS.—The Secretary shall make  
14       loans under this section, and make payments pursu-  
15       ant to loan guarantees provided under this section,  
16       from amounts in the revolving fund.

17       (e) REGULATIONS.—The Secretary may prescribe  
18       such regulations as may be necessary to carry out this  
19       section.

20       (f) LIMITATIONS ON AUTHORIZATION OF APPROPRIA-  
21       TIONS.—For the cost (as defined in section 502(5) of the  
22       Federal Credit Reform Act of 1990) of loans and loan  
23       guarantees under this section, there are authorized to be  
24       appropriated to the revolving fund established under sub-

1 section (d) of this section such sums as may be necessary  
2 for fiscal years 2005 through 2010.

3 **TITLE II—BIOFUELS FEED-**  
4 **STOCKS ENERGY RESERVE**  
5 **PROGRAM**

6 **SEC. 201. ESTABLISHMENT.**

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

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

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

17 **SEC. 202. PURCHASES.**

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

22 (1)(A) the commodities are in abundant supply;  
23 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. 203. 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. 204. 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 require the rotation of stocks to pre-  
15          serve feedstock 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. 205. 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. 206. REGULATIONS.**

2       Not later than 60 days after the date of the enact-  
3 ment of this Act, the Secretary shall issue such regulations  
4 as are necessary to carry out this title.

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