

MINUTES
LEGISLATIVE TASK FORCE ON SUSTAINABLE BUILDING DESIGN AND PRACTICES
OF THE
ARKANSAS GENERAL ASSEMBLY

Monday, January 9, 2012
1:30 P.M.

Room 151, State Capitol
Little Rock, Arkansas

The Legislative Task Force on Sustainable Building Design and Practices met at 1:30 P.M., Monday, January 9, 2012, in Room 151 of the State Capitol in Little Rock, Arkansas. The following members attended:

Legislative Members: Senator David Johnson, Co-Chairman; Representative Greg Leding, Co-Chairman; Senator Jake Files and Representative Kathy Webb.

Non-Legislative Members: Chris Benson, Richard Davies, Charlie Foster, Anne Laidlaw, Mikel Lolley, Zack Mobley, Barbara Nix, Mark Robertson, and Kenneth Smith.

Also attending: Representative Mike Patterson; Jonathan Flannery (for Mark Kenneday).

Senator Johnson called the meeting to order.

CONSIDERATION TO APPROVE DECEMBER 12, 2011, MINUTES [EXHIBIT C]

Without objection, the December 12, 2011, minutes were approved.

INDUSTRY PERSPECTIVE ON WHAT IS NEEDED TO MOVE FORWARD WITH MANUFACTURING AND USE OF RENEWABLE MATERIALS AND ENERGY

Mr. Gary McChesney, Chief Technology Officer, FutureFuel Chemical Company (FFCC), Batesville, AR, presented a PowerPoint entitled, "FutureFuel Chemical Company – A Biodiesel Success Story". [ATTACHMENT 1] The plant was constructed in 1975 and operated as Eastman Kodak and Eastman Chemical Company. In 2006 the plant was sold and became FFCC. The company has 500+ employees at the 2,200 acre site in Batesville.

FFCC has two primary businesses:

- Specialty Chemicals
 - Custom Services (exclusive materials for one customer)
 - Performance (material for general sales)
- Biofuel (Biodiesel)
 - 2005 – FFCC began producing biodiesel (one truckload) - sales totaled less than \$30,000.
 - 2010 – FFCC produced 59 million gallons of biodiesel - sales totaled \$40,903,000.
 - FFCC uses yellow grease (recycled cooking oil) and corn oil (a byproduct of ethanol plants) to produce a high quality biodiesel product.
 - FFCC biodiesel is primarily purchased by blenders.

Public policy has influenced the growth and decline of biodiesel sales:

- 2003-2004 – U.S. Congress passed the Volumetric Ethanol Excise Tax Credit (VEETC), and U.S. biodiesel production increased from almost zero to 700 million gallons per year.
- 2009 - The VEETC was being passed on a year-by-year basis, which created uncertainty in the production community, and U.S. biodiesel production decreased to 525 million gallons per year.

- 2010 - No VEETC was offered and production decreased to about 300 million gallons. (The credit was reinstated in 2011 and made retroactive for 2010, but was too late for 2010 production).
- 2011 - All public-policy support for biodiesel production in North America was fully active and engaged.
- 2012 - The VEETC will lapse. It is too early to know if Congress will reinstate the credit, but if not, biodiesel producers will be forced to function with no policy support.

Renewable fuel standards require the Environmental Protection Agency to declare a certain amount of renewable fuels to be blended into the U.S. fuel pool every year. In 2011, it was 800 million gallons; in 2012 it is 1 billion gallons; and the number is expected to continue to increase. Mr. McChesney said if current federal credits stay in effect, national biofuel production is in good shape. He encourages the state to set examples with renewable and sustainable energy.

Senator Files asked if FFCC had the capability to increase biodiesel production at the Batesville plant which has a 59 million gallon/year capacity. Mr. McChesney said yes, but the Small Producer Tax Credit applies to companies producing less than 60 million gallons/year. Senator Files said the state should set an example by converting fleets to biodiesel power, but Arkansas needs more biodiesel fueling stations. He would like to see the state and companies like FFCC partner to build biofuel fueling stations on busy routes. Mr. McChesney said FFCC will install a portable 10,000 gallon automated dispensing tank for customers who contract to dispense enough volume. He noted the average price of biodiesel is \$4/gallon, and renewable fuels will continue to cost more than petroleum products.

Mr. Brent Bailey, Southeast Facilitator, 25x'25, America's Energy Future, Jackson, MS, presented a PowerPoint entitled, "Renewable Energy Opportunities for the Ag & Forestry Sectors" [ATTACHMENT 2] [HANDOUT 1] The mission of 25x'25 is for America's farms, ranches, and forests to provide 25% of the total energy consumed in the U.S., by 2025, while producing safe, abundant and affordable food, feed, and fiber.

Despite obstacles, renewable energy continues to grow. As of September 2011:

- Renewable energy accounted for 11.95% of domestic energy production.
- Biodiesel set an annual production record of 900+ million gallons.
- Ethanol production has expanded to 900,000 barrels/day.
- Renewable energy provided 12.73% of the net electricity produced in the U.S. (a 24.73% increase over 2010).

Mr. Bailey said the Southeast US offers good environmental opportunities for the agriculture community to develop feedstocks and produce bioenergy resources. Biomass production offers producers a competitive advantage because crops can be grown year round from multiple sources. 25x'25 encourages producers to examine their operation, refer to local experts, and decide if bioenergy feedstock production fits into their plan. The initiative engages technology, better breeding, and land management to help farmers produce a higher yield-per-acre.

Mr. Bailey noted that comprehensive energy policies are needed because new biomass products will continue to be added to the generation mix. Regulatory certainty, economic incentives and higher natural gas prices maintain confidence in the bioenergy marketplace. 25x'25 recommends policies that set realistic renewable energy goals with properly designed mandate/incentive packages. The group advocates for a simple, consistent, scientific definition of biomass.

25x'25 identified several unresolved issues (i.e., transmission, indirect land-use, easement citing and expiring tax credits/energy programs) that create barriers for the renewable energy sector to maintain a market for renewable fuels, and notes there is no short-term solution for these issues.

Mr. Bailey recommended the following strategies to better position Arkansas for bioenergy development:

- Establish technologies that have the best chance for near-term success.
- Support technology development for long-term renewable energy.

- Accelerate growth of established and respected companies through market-tax credits, low-interest loans, income-tax benefits, accelerated depreciation, etc.
- Other legislative measures (Renewable Portfolio Standards, incentives for biofuel use/biopower production, and tax incentive packages).
- Advance bioenergy education and technology.
- Require state agencies to demonstrate leadership for biofuels and renewable electricity use.
- Recognize energy efficiency and conservation as the critical first steps for any energy strategy.

In response to a request from Mr. Benson, Mr. Bailey said the Biomass Crop Assistance Program (BCAP) is a federal program that cost-shares the establishment of biomass crops at the farm level (if the crop will be used by a qualified biomass conversion facility), and delivery of the product from the farm to the conversion facility. Funding for BCAP has been reduced in recent years, and the program is scheduled to expire in September 2012.

Mr. Steve Patterson, Executive Director, Arkansas Advanced Energy Association (aaea), shared a press release entitled, “REPORT: Clean Energy Rapidly Growing Sector of AR’s Economy” [HANDOUT 2]. A comprehensive overview of the clean-technology industry by the Southern Growth Policies Board revealed that in the last eight years, the clean-technology sector grew faster than any other part of the Arkansas economy and shows the greatest potential for continued growth. The organization has used the study in meetings with industry senior executives to establish a strategic plan that will expand energy efficiency and renewable energy industries in Arkansas.

Mr. Smith said he wants the task force to continue presentations that focus on renewable/sustainable resources that can be processed and made available in Arkansas. He said the information should be presented from two perspectives: utilities and energy use and distribution. Senator Johnson said this is a good suggestion that he and Representative Leding will explore.

Representative Webb said she did not attend the December 2011 task force meeting and did not hear the “Annual Report of Act 1494 of 2009”, but based on minutes from the meeting, the report seems negative. If the Arkansas Energy Office is not gathering data in a timely manner or achieving goals of the act, she wants the task force to revisit the act and send a strong message that the legislature expects provisions in Act 1494 of 2009 to be implemented. She will visit with Ed Ellis at the Energy Office.

Senator Johnson said he hopes everyone can attend the February meeting. Staff members from the Office of Procurement will be present to review a draft bill on energy savings performance contracting.

Mr. Lolley said he is anxious to see the Energy Plan Survey that the University of Arkansas at Little Rock developed for the Arkansas Energy Office. Senator Johnson said staff will check with the Energy Office.

With no further business, the meeting adjourned at 3:05 P.M.