

Regular Session, 2008

HOUSE BILL NO. 1270

BY REPRESENTATIVE PERRY

FUELS: Creates the Advanced Biofuel Industry Development Initiative

1 AN ACT

2 To amend and reenact R.S. 39:364(A)(1) and to enact R.S. 39:364(A)(4) and Chapter 23-B
3 of Title 3 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 3:3761
4 through 3763, relative to the development of a biofuel industry development
5 initiative; to provide for pilot programs; to provide for state incentives; to provide
6 for the purchase or lease of fleet vehicles; to provide for the purchase of biofuels;
7 and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. Chapter 23-B of Title 3 of the Louisiana Revised Statutes of 1950,
10 comprised of R.S. 3:3761 through 3763, is hereby enacted to read as follows:

11 CHAPTER 23-B. THE ADVANCED BIOFUEL INDUSTRY DEVELOPMENT

12 INITIATIVE

13 §3761. Legislative findings and definitions

14 A. The legislature hereby finds and declares that the development of an
15 advanced biofuel industry in Louisiana is a matter of grave public necessity and is
16 vital to the economy of Louisiana. The use of advanced biofuel will expand United
17 States and Louisiana fuel supplies without increasing dependency on foreign oil. The
18 development of an advanced biofuel industry will help rebuild the local and regional
19 economies devastated as a result of hurricanes Katrina and Rita by providing: (1)
20 increased value added to the feed stock crops which will benefit the producers and

1 provide more revenue to the local community; (2) increased investments in plants
2 and equipment which would stimulate the local economy by providing construction
3 jobs initially and the chance for full-time employment after the plant is completed;
4 (3) secondary employment as associated industries develop due to plant co-products
5 becoming available at a competitive price; and (4) increased local and state revenues
6 collected from plant operations would stimulate local and state tax revenues and
7 provide funds for improvements to the community and to the region. Blending fuel-
8 grade ethanol with gasoline at the gas station pump will offer the Louisiana
9 consumer a fuel that is less expensive, cleaner, renewable, and more efficient than
10 unleaded gasoline. Moreover, preliminary tests conducted in Europe have proven
11 that the use of hydrous ethanol, which eliminates the need for the hydrous-to-
12 anhydrous dehydration processing step, results in an energy savings of between ten
13 percent and forty-five percent during processing, a four percent product volume
14 increase, higher mileage per gallon, and a reduction in greenhouse gas emissions.
15 Therefore, an advanced biofuel industry development initiative in Louisiana is vital
16 to ensuring the broad-based rural economic development of Louisiana and is a matter
17 of public policy.

18 B. The legislature finds and declares that the proper development of an
19 advanced biofuel industry in Louisiana requires the following comprehensive "field-
20 to-pump" strategy:

21 (1) Feedstock other than corn:

22 (a) Derived solely from Louisiana harvested crops.

23 (b) Capable of an annual yield of at least six hundred gallons of ethanol per
24 acre.

25 (c) Requiring no more than one-half of the water required to grow corn.

26 (d) Tolerant to high temperature and water logging.

27 (e) Resistant to drought and saline-alkaline soils.

28 (f) Capable of being grown in marginal soils, ranging from heavy clay to
29 light sand.

1 (g) Requiring no more than one-third of the nitrogen required to grow corn
2 thereby reducing the risk of contamination of the waters of the state.

3 (h) Requiring no more than one-half of the energy necessary to convert corn
4 into ethanol.

5 (2) The distributed nature of a small advanced biofuel manufacturing facility
6 network reduces feed stock supply risk, does not burden local water supplies, and
7 provides for a more broad-based economic development. Each small advanced
8 biofuel manufacturing facility shall operate in Louisiana.

9 (3) Advanced biofuel supply and demand shall be expanded beyond the ten
10 percent blend market by blending fuel-grade anhydrous ethanol with gasoline at the
11 gas station pump. Variable blending pumps, directly installed and operated at local
12 gas stations by a qualified small advanced biofuel manufacturing facility, shall offer
13 the consumer a less expensive substitute for unleaded gasoline in the form of E10,
14 E20, E30, and E85.

15 C. As used in this Section, the following terms shall have the meanings
16 hereinafter ascribed to them:

17 (1) "Advanced biofuel" means hydrous ethanol derived from sugar or starch
18 (other than corn starch) or anhydrous ethanol derived from sugar or starch (other
19 than corn starch).

20 (2) "Anhydrous ethanol" means an ethyl alcohol that has a purity of at least
21 ninety-nine percent, exclusive of added denaturants, that meets all the requirements
22 of the American Society of Testing and Materials (ASTM) D4806, the standard
23 specification for ethanol used as motor fuel.

24 (3) "Hydrous ethanol" means an ethyl alcohol that is approximately ninety-
25 six percent ethanol and four percent water.

26 (4) "Small advanced biofuel manufacturing facility" means an advanced
27 biofuel manufacturing facility operating in Louisiana that produces no less than five
28 million gallons of advanced biofuel per year and no more than fifteen million gallons

1 of advanced biofuel per year with feedstock other than corn derived solely from
2 Louisiana harvested crops.

3 §3762. Pilot programs

4 A. The blending of fuels with advanced biofuel percentages between ten
5 percent and eighty-five percent will be permitted on a trial basis until January 1,
6 2012. During this period the Louisiana Department of Agriculture and Forestry
7 (LDAF), office of agro-consumer services, division of weights and measures, will
8 monitor the equipment used by a qualified small advanced biofuel manufacturing
9 facility to dispense the ethanol blends to ascertain that the equipment is suitable and
10 capable of producing an accurate measurement. Since there are no ASTM standards
11 for evaluating the quality of the product, the LDAF, office of agro-consumer
12 services, division of weights and measures, will take fuel samples to ascertain that
13 the correct blend ratios are being dispensed and follow the development of standards.
14 Provided that no negative trends are observed during the trial period and fuel
15 standards have been developed or work continues on developing them, the LDAF,
16 office of agro-consumer services, division of weights and measures, will consider
17 extending the evaluation period.

18 B. The use of hydrous ethanol blends of E10, E20, E30, and E85 in motor
19 vehicles specifically selected by a qualified small advanced biofuel manufacturing
20 facility for test purposes will be permitted on a trial basis until January 1, 2012.
21 During this period the LDAF, office of agro-consumer services, division of weights
22 and measures, will monitor the performance of the motor vehicles. The hydrous
23 blends will be tested for blend optimization with respect to fuel consumption and
24 engine emissions. Preliminary tests conducted in Europe have proven that the use
25 of hydrous ethanol, which eliminates the need for the hydrous-to-anhydrous
26 dehydration processing step, results in an energy savings of between ten percent and
27 forty-five percent during processing, a four percent product volume increase, higher
28 mileage per gallon, a cleaner engine interior, and a reduction in greenhouse gas
29 emissions.

1 §3763. State incentives

2 A. The Louisiana commissioner of agriculture and forestry, conditioned
3 upon the availability of funds, is authorized to award demonstration grants to persons
4 who purchase advanced biofuel variable blending pumps which dispense E10, E20,
5 E30, and E85. The demonstration grant shall be for the purpose of conducting
6 research connected with the monitoring of the equipment used to dispense the
7 ethanol blends to ascertain that the equipment is suitable and capable of producing
8 an accurate measurement. The grantee shall also develop guidelines for the
9 installation and use of advanced biofuel variable blending pumps by complying with
10 applicable National Type Evaluation Program (NTEP) and National Institute of
11 Standards and Technology (NIST) requirements and ASTM standards.

12 B. The Louisiana commissioner of agriculture and forestry, conditioned upon
13 the availability of funds, is authorized to award demonstration grants to persons who
14 purchase vehicles which operate on advanced biofuels. A grant shall be for the
15 purpose of conducting research connected with the fuel or the vehicle and not for the
16 purchase of the vehicle itself, except that the money may be used for the purchase
17 of the vehicle if all of the following conditions are satisfied:

18 (1) The Department of Agriculture and Forestry retains the title to the
19 vehicle.

20 (2) The vehicle is used for continuing research.

21 (3) If the vehicle is sold or when the research related to the vehicle is
22 completed, the proceeds of the sale of the vehicle shall be used for additional
23 research.

24 C. An income tax credit of ten cents per gallon of advanced biofuel is
25 available to qualified small advanced biofuel manufacturing facilities as defined in
26 R.S. 3761(C)(4). The credit applies only to the first ten million gallons of advanced
27 biofuel produced in a tax year and expires on December 31, 2012.

28 Section 2. R.S. 39:364(A)(1) is hereby amended and reenacted and R.S.
29 39:364(A)(4) is hereby enacted to read as follows:

1 §364. Purchase or lease of fleet vehicles; use of alternative fuels; exceptions

2 A.(1) After September 1, 1991, the commissioner of administration shall not
3 purchase or lease any motor vehicle for use by any state agency unless that vehicle
4 is capable of and equipped for using an alternative fuel which results in lower
5 emissions of oxides of nitrogen, volatile organic compounds, carbon monoxide, or
6 particulates or any combination thereof which meet or exceed federal Clean Air Act
7 standards, including but not limited to hybrid vehicles. Alternative fuels shall
8 include compressed natural gas, liquefied petroleum gas, reformulated gasoline,
9 methanol, ethanol, advanced biofuel, electricity, and any other fuels which meet or
10 exceed federal Clean Air Act standards.

11 * * *

12 (4) A governmental body, state educational institution, or instrumentality of
13 the state that performs essential governmental functions on a statewide or local basis
14 is entitled to purchase E20, E30, or E85 advanced biofuel directly from a qualified
15 small advanced biofuel manufacturing facility at a price equal to fifteen percent less
16 per gallon than the price of unleaded gasoline for use in any motor vehicle. The
17 price of unleaded gasoline will be the prevailing average price for the locality on the
18 date of purchase.

19 * * *

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Perry

HB No. 1270

Abstract: Creates the Advanced Biofuel Industry Development Initiative.

Proposed law creates the Advanced Biofuel Industry Development Initiative to reduce dependency on foreign oil and increase economic opportunities using readily available feed stocks. Provides a "field-to-pump" strategy set forth by certain feedstock criteria, use of small advanced biofuel manufacturing facility networks, and provides for market expansion.

Proposed law provides for definitions for "advanced biofuel", "anhydrous ethanol", "hydrous ethanol", and "small advanced biofuel manufacturing facility".

Proposed law provides for pilot programs monitored by the Dept. of Agriculture and Forestry (LDAF), office of agro-consumer services, division of weights and measures to include a four-year trial availability of blended fuels of certain percentages, monitoring of pumps and other equipment for accurate measurement, and fuel sampling. Further provides for a four-year trial period of hydrous ethanol blend usage in select vehicles with respect to fuel consumption and engine emissions.

Proposed law provides for state incentives for awarding demonstration grants to individuals who purchase biofuel variable blending pumps for conducting research by certain specified criteria. Additionally provides for awarding demonstration grants to individuals who purchase vehicles which operate on biofuels for research purposes. Demonstration grants may apply to the purchase of vehicles under certain conditions. Further provides for an income tax credit on the first 10 million gallons of produced biofuel available to small advanced biofuel manufacturing facilities.

Present law prohibits the commissioner of administration from purchasing or leasing vehicles for state agencies that do not use certain alternative fuels.

Proposed law adds hybrid vehicles as a possible choice for state purchase or lease and adds advanced biofuel to the list of alternative fuels for use in state vehicles.

Proposed law provides for a discount in the purchase price of certain ethanol blends for state agencies, educational institutions, or instrumentalities of the state that perform essential governmental functions.

(Amends R.S. 39:364(A)(1); Adds R.S. 39:364(A)(4) and R.S. 3:3761-3763)