Potential Federal Funding Sources for Anaerobic Digester Systems

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Presentation Outline

• Rural Development
• NRCS
  • History and background of assistance
  • Addressing resource concerns
  • Available programs and assistance through NRCS
• Combining Programs and Partnerships
The Rural Energy for America Program is a grant and guaranteed loan program for ranchers, farmers, and small businesses. It primarily serves communities of 50,000 or less. REAP has an energy audit component, grants of $20,000 or less, $80,000 grants or less, and grants of more than $200,000.

Besides the Energy Audit piece, REAP offers Renewable Energy Development Assistance, grants and guaranteed loans for energy efficiency and renewable energy, and guaranteed loan only assistance.
REAP Grant Assistance

Up to 25% of Eligible Project Costs

<table>
<thead>
<tr>
<th>Renewable Energy Systems</th>
<th>Energy Efficiency Improvements</th>
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<tbody>
<tr>
<td>Minimum Grant Request</td>
<td>Minimum Grant Request</td>
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<tr>
<td>$2,500</td>
<td>$1,500</td>
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<td>Total eligible project costs &gt; $10,000</td>
<td>Total eligible project costs &gt; $6,000</td>
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<td>Maximum Grant Request</td>
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<td>$500,000</td>
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<td>Total eligible project costs &gt; $2 million</td>
<td>Total eligible project costs &gt; $1 million</td>
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Loan only Programs, Resources for Financing

Business & Industry Loans

What is the maximum amount of a loan guarantee?

80 percent for loans of $5 million or less
70 percent for loans between $5 and $10 million
60 percent for loans exceeding $10 million, up to $25 million maximum
Rural Energy for America Programs

- **What are the loan guarantee terms?**
  - $5,000 minimum loan amount
  - $25 million maximum loan amount
  - Up to 85% loan guarantee
  - Rates and terms negotiated with the lender and subject to USDA approval
  - Maximum term of 30 years for real estate
  - Maximum term of 15 years for machinery and equipment
  - Maximum term of 7 years for capital loans
  - Maximum term of 30 years for combined real estate and equipment loans
In October 2015, USDA, through REAP, awarded $12.5 million in grants and loans to support the installation of 17 anaerobic digesters and biogas systems in California, Maine, Massachusetts, Michigan, New York, North Carolina, Ohio, and Washington. When operational, these systems are projected to generate over 167,000 megawatt hours of renewable power annually.
Productive Lands

Healthy Environment

- High Quality, Productive Soils
- Clean and Abundant Water
- Healthy Plant and Animal Communities
- Clean Air
- An Adequate Energy Supply
- Working Farm and Ranch Lands
History

• Between 2003 and 2017 NRCS has provided assistance on 49 anaerobic digesters

• Programs
  • Agricultural Water Enhancement Program (1 digester system)
  • Chesapeake Bay Watershed Initiative (3 digester systems)
  • Environmental Quality Incentives Program (45 digester systems)

• Obligations
  • $11,368,478
History

• Prior to 2009
  • Anaerobic Digester – Ambient Temperature (365)
  • Anaerobic Digester – Controlled Temperature (366)

• After 2009
  • Anaerobic Digester (366)
  • Combined standard handles all digester systems

• Ambient Temperature
  • Generally covered lagoons

• Controlled Temperature
  • Plug flow, complete mix, other types
An anaerobic digester may only be part of an overall animal manure management system.
Before Developing Contract

• Determine if there are resources concerns
• Use NRCS planning process
• Develop a Comprehensive Nutrient Management Plan (CNMP)
  • Record of Decisions to address resource concerns
    • Water Quality
    • Soil Erosion
    • Air Quality
  • Usually multiple conservation practices are required to address the necessary resource concerns
Anaerobic Digestion (366)

- Purposes:
  - Manage odors
  - Reduce net effect of greenhouse gas emissions
  - Reduce pathogens
  - Capture biogas to facilitate energy production*
Limitation

• Environmental Quality Incentives Program Manual (based on The Agricultural Act of 2014) Natural Resources Conservation Service can assist producers to specifically address energy conservation through practice implementation.

• Exemptions to payment include “practices or activities where the primary purpose is renewable energy production (e.g., generation of electricity or biofuel practices).

• NRCS through EQIP does not provide payments on the energy generation components of an anaerobic digestion system (i.e. genset or compressed biogas conversion).
EQIP Eligibility

• Control or own eligible land
• Comply with adjusted gross income limitation (AGI) provisions (~$900,000 gross maximum) (Current Farm Bill)
• Be in compliance with the highly erodible land and wetland conservation requirements
• Develop a CNMP to address the necessary resource concerns
EQIP - Environmental Quality Incentives Program

• Help producers install or implement structural, vegetative, and management practices on eligible agricultural land
• Payments can be made up to 75% of the costs
  • 90% for socially disadvantaged, limited-resource, beginning, and veteran farmer and ranchers
Payment Limitation

• Food, Conservation, and Energy Act of 2008 – payment limitation of $300,000 with the waiver authority by the Chief of NRCS to not exceed $450,000.

• Agricultural Act of 2014 - “A person or legal entity may not receive, directly or indirectly, cost-share or incentive payments under this chapter that, in aggregate, exceed $450,000 for all contracts entered into under this chapter by the person or legal entity during the period of fiscal H. R. 2642—83 years 2014 through 2018, regardless of the number of contracts entered into under this chapter by the person or legal entity.”

• Next Farm Bill ???
Ancillary Practices

- Waste Separation Facility (632)
- Waste Storage Facility (313)
- Waste Treatment (629)
- Waste Transfer (634)
- Roofs and Covers (367)
- Waste Treatment Lagoon (359)
Contracting

• Complete CNMP
  • Record of Decisions
  • Conservation Practices
  • Implementation Timeline
• Develop financial contract
• All practices listed in the CNMP must be implemented by the end of the contract period
CIG - Conservation Innovation Grants

• competitive grants that stimulate the development and adoption of innovative approaches and technologies for conservation on agricultural lands

• $15 - 20 million per year since 2004 ($237 million since 2004)

• Up to 50% matching federal funds (maximum of $2 million)
Conservation Innovation Grants
Anaerobic Digester

• Cayuga County Soil and Water Conservation District – Cayuga County Environmental Regional Regional Digester
• Classic Farms, LLC – Installation of a “Fixed Film” Anaerobic Digester on a Swine Finishing Facility
• University of Georgia – Extracting Energy from Poultry Waste and Fruit and Vegetable Waste Through Anaerobic Digestion Technology
• Utah State University – Cost-Effective and Reliable Anaerobic Digestion for Animal Feeding Operations
• Washington State University – Pathogen Reduction in a Community Based Anaerobic Digester
Suggestions for Developing a Digester Project

• Check with NRCS about developing a conservation plan to manage manure. Can NRCS contribute financially for these practices? Work with AgStar to determine if a Digester is a viable option, do the financial analysis. Consult with RD about financing, loans and grants for eligible costs.
Renewable Energy

EQIP Practice Standards could be combined with REAP

| Scenic View Dairy |  
|-------------------|---
| Anaerobic digester |  
| • $1.9 Million Total Cost |  
| • $474,088 REAP Grant |  
| Powers an equivalent of 1000 homes/year |  

Scenic View Dairy

- Anaerobic digester
- • $1.9 Million Total Cost
- • $474,088 REAP Grant
- Powers an equivalent of 1000 homes/year
How can these programs work together?

• REAP Energy Efficiency Improvement combined with Amendments for Treatment of Agricultural Waste, a practice of the Environmental Quality Incentives Program

• REAP Energy Efficiency Improvement combined with a Pumping Plant, a practice of the Environmental Quality Incentives Program

• REAP Energy Efficiency Improvement with a Grass Waterway, a practice of the Environmental Quality Incentives Program

• Energy Efficiency from Rural Development and an electric transmission line extension from the Rural Utility Service
USDA Supports Anaerobic Digesters

Partnership with EPA, Memorandum of Understanding with Dairy Center for Innovation

Anaerobic Digesters part of prior Strategic Goals to reduce emissions, manage animal waste, recovery nutrients and add economic value to rural communities.

Digester projects contact at Energy Programs is:

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Conclusions

• Several conservation practices may be required to address the resource concerns with anaerobic digester possibly being one of those practices

• A comprehensive nutrient management plan (CNMP) is to be developed before an EQIP contract

• Current Farm Bill payment through EQIP is limited to $450,000 by the person or legal entity

• Conservation Innovation Grants can be used to demonstrate innovative technologies
The End
Thank You