NEWS RELEASE
Contact: Maureen Walsh
(202) 681-6092
maureen@dc-groupllc.com

FOR IMMEDIATE RELEASE
May 9, 2017

Biogas Industry Applauds Agriculture Environmental Stewardship Act (S. 988)

WASHINGTON, DC—The American Biogas Council, the trade association for the U.S. biogas industry, applauds the recent introduction of the bipartisan Agriculture Environmental Stewardship Act (S. 988). This legislation, introduced last week by Senators Sherrod Brown (D-OH) and Pat Roberts (R-KS) will increase the sustainability of farms by helping to deploy new nutrient recovery and biogas systems to recycle organic material into baseload renewable energy and healthy soil products. The Act provides a 30 percent investment tax credit (ITC) for qualifying biogas and nutrient recovery systems.

"We thank Senators Brown and Roberts for their strong recognition of the need for clean waterways and more productive soils which contribute to healthier communities and a stronger economy. Biogas and nutrient recovery systems make these goals obtainable and this legislation will help incentivize those technologies," said Patrick Serfass, executive director of the American Biogas Council (ABC). "When we incentivize sustainable farming that includes recycling of organic material and nutrients, we create beneficial soil products, baseload renewable energy and jobs while protecting our watersheds."

The introduction of S. 988 reflects the critical need to support economically and environmentally sustainable agricultural practices that protect waterways and enrich soils. No tax incentive exists to incentivize biogas or nutrient recovery systems. A production tax credit under Section 45 of the federal tax code which used to incentivize the production of renewable electricity has been allowed to expire. This new investment tax credit would promote the production of pipeline quality natural gas and compressed renewable natural gas vehicle fuel as well as nutrients which are vital to the production of agriculture.

"Protecting and preserving natural resources is an integral part of dairy farming," said Jim Mulhern, President and CEO of the National Milk Producers Federation. "This new legislation will make biogas and manure resource recovery technologies more affordable, accelerating the adoption of tools that enhance the environmental stewardship of livestock agriculture. The measure provides broader societal benefits by decreasing nutrient runoff in waterways, decreasing farm odors, and improving water quality."

"This is a great example of prudent tax policy," said Matt Carr, executive director of the Algae Biomass Organization. "By supporting investments in algae-based and other nutrient management systems, the Agriculture Environmental Stewardship Act will help farmers recycle valuable ag nutrients back into their operations and reduce the taxpayer burden of recovering those nutrients downstream. It's a win-win for everyone."

Why is nutrient recycling important?
To have both healthy watersheds and soils, sustainable agricultural practices are critical. When excessive amounts of nutrients are applied to soils within the short window available between planting crops and crop growth, the crops don't absorb the nutrients. Consequently, those nutrients often run

into waterways especially during heavy rains that often occur in spring and fall. In water, excess nutrients can create harmful algal blooms that starve fish and desirable aquatic plants of the oxygen they need to thrive. By deploying nutrient recovery systems that allow farms to apply nutrients when and where they are needed throughout the year, farms greatly reduce the potential environmental impact and the use of expensive chemical fertilizers which are often imported and can make sure that just the right mix of critical nutrients are applied to their soils.

Connection between nutrient recovery and biogas systems

While some nutrient recovery systems can process raw manure instead of digested manure, their performance is enhanced technically and economically when processing digested manure in tandem with a biogas system. Biogas systems transform manure and other organic residuals like food waste using a natural, microbial process (not too different from what happens in a cow's stomach) producing a digestate containing all of the nutrients but in more bioavailable forms. Since the digested material is already warm, homogenous and broken down as it leaves the biogas system, nutrient separation is more efficient and the reliability of separating or concentrating the nutrients from the digestate is increased. This allows farmers and landscapers greater control of how much of each nutrient (e.g., nitrogen, phosphorus, and potassium) they apply to the soil.

U.S. Biogas Market

Currently, the United States has more than 2,200 sites producing biogas, and still, the potential for growth of the U.S. biogas industry is huge. A recent industry assessment conducted with the USDA, EPA and DOE as part of the Federal Biogas Opportunities Roadmap estimates nearly 13,500 sites are ripe for development. If fully realized, these new biogas systems could produce enough energy to power 7.5 million American homes and reduce emissions equivalent to removing up to 15.4 million passenger vehicles from the road. It would also result in an estimated $40 billion in construction spending, creating approximately 335,000 short-term construction jobs and 23,000 permanent jobs to operate the biogas systems and manage ongoing business activities.

Legislative text can be found here. A short summary of the bill can be found here. A link to this release can be found here.

About the American Biogas Council

The American Biogas Council is the only national trade association representing the biogas industry in the U.S. The ABC represents over 200 companies covering the entire biogas supply chain who are dedicated to maximizing the production and use of biogas from organic waste. Find us online at www.AmericanBiogasCouncil.org, Twitter @ambiogascouncil, LinkedIn in the American Biogas Council group and on YouTube.

115TH CONGRESS
1ST SESSION

S. 988

To amend the Internal Revenue Code of 1986 to make qualified biogas property and qualified manure resource recovery property eligible for the energy credit and to permit new clean renewable energy bonds to finance qualified biogas property, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 27, 2017

Mr. BROWN (for himself and Mr. ROBERTS) introduced the following bill; which was read twice and referred to the Committee on Finance

---

A BILL

To amend the Internal Revenue Code of 1986 to make qualified biogas property and qualified manure resource recovery property eligible for the energy credit and to permit new clean renewable energy bonds to finance qualified biogas property, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Agriculture Environmental Stewardship Act of 2017".

SEC. 2. FINDINGS.

Congress finds the following:

(1) Incentives and encouragement for the conservation and appropriate handling of nutrients contained in organic matter are necessary.

(2) Biogas systems will save Federal, State, and local taxpayers money by converting waste into useful products, such as fuel, fertilizer, thermal heat, feedstock for hydrogen fuel cells, and renewable chemicals.

(3) Manure resource recovery systems will save Federal, State, and local taxpayers money by recovering the nutrients contained in organic matter from their source, rather than recovering the nutrients after they have entered landfills or waterways.

SEC. 3. ENERGY CREDIT FOR QUALIFIED BIOGAS PROPERTY AND QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.

(a) IN GENERAL.—Section 48(a)(3)(A) of the Internal Revenue Code of 1986 is amended by striking "or" at the end of clause (vi) and by adding at the end the following new clauses:

"(viii) qualified biogas property, or

"(ix) qualified manure resource recovery property,".

(b) 30-PERCENT CREDIT.—Section 48(a)(2)(A)(i) of such Code is amended by striking "and" at the end of

subclause (III), by striking "and" at the end of subclause (IV), and by adding at the end the following new subclauses:

"(V) qualified biogas property, and

"(VI) qualified manure resource recovery property, and".

(c) DEFINITIONS.—Section 48(c) of such Code is amended by adding at the end the following new paragraphs:

"(5) QUALIFIED BIOGAS PROPERTY.—

"(A) IN GENERAL.—The term 'qualified biogas property' means property comprising a system which—

"(i) uses anaerobic digesters, or other biological, chemical, thermal, or mechanical processes (alone or in combination), to convert biomass (as defined in section 45K(c)(3)) into a gas which consists of not less than 52 percent methane, and

"(ii) captures such gas for use as a fuel.

"(B) INCLUSION OF CERTAIN CLEANING AND CONDITIONING EQUIPMENT.—Such term shall include any property which cleans and

conditions the gas referred to in subparagraph (A) for use as a fuel.

"(C) TERMINATION.—No credit shall be determined under this section with respect to any qualified biogas property for any period after December 31, 2021.

"(6) QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.—

"(A) IN GENERAL.—The term 'qualified manure resource recovery property' means property comprising a system which uses physical, biological, chemical, thermal, or mechanical processes to recover the nutrients nitrogen and phosphorus from a non-treated digestate or animal manure by reducing or separating at least 50 percent of the concentration of such nutrients, excluding any reductions during the incineration, storage, composting, or field application of the non-treated digestate or animal manure.

"(B) INCLUSION OF CERTAIN PROCESSING EQUIPMENT.—Such term shall include—

"(i) any property which is used to recover the nutrients referred to in subparagraph (A), such as—

"(I) biological reactors,

"(II) crystallizers,

"(III) reverse osmosis membranes and other water purifiers,

"(IV) evaporators,

"(V) distillers,

"(VI) decanter centrifuges, and

"(VII) equipment that facilitates the process of dissolved air flotation, ammonia stripping, gasification, or ozonation, and

"(ii) any thermal drier which treats the nutrients recovered by the processes referred to in subparagraph (A).

"(C) TERMINATION.—No credit shall be determined under this section with respect to any qualified manure resource recovery property for any period after December 31, 2021.".

(d) DENIAL OF DOUBLE BENEFIT FOR QUALIFIED BIOGAS PROPERTY.—Section 45(e) of such Code is amended by adding at the end the following new paragraph:

"(12) COORDINATION WITH ENERGY CREDIT FOR QUALIFIED BIOGAS PROPERTY.—The term 'qualified facility' shall not include any facility which produces electricity from gas produced by qualified

biogas property (as defined in section 48(c)(5)) if a credit is determined under section 48 with respect to such property for the taxable year or any prior taxable year.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to periods after December 31, 2016, in taxable years ending after such date, under rules similar to the rules of section 48(m) of such Code (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 4. NEW CLEAN RENEWABLE ENERGY BONDS FOR QUALIFIED BIOGAS PROPERTY AND QUALIFIED MANURE RESOURCE RECOVERY PROPERTY.

(a) IN GENERAL.—Section 54C(d)(1) of the Internal Revenue Code of 1986 is amended by inserting ", a qualified biogas property (as defined in section 48(c)(5)), or a qualified manure resource recovery property (as defined in section 48(c)(6))" before "owned by".

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to obligations issued after the date of the enactment of this Act.

SEC. 5. STUDY OF BIOGAS AND NUTRIENT REUSE.

(a) IN GENERAL.—The Secretary of the Treasury shall enter into an agreement with the National Renewable

Energy Laboratory to undertake a study of biogas that addresses the following:

(1) The quality of biogas, including a comparison of biogas to natural gas and the identification of any components of biogas which make biogas unsuitable for injection into existing natural gas pipelines.

(2) Methods for obtaining the highest energy content in biogas, including the use of co-digestion and identifying the optimal feed mixture.

(3) Recommendations for the expansion of biogas production, including an analysis of the extent to which increasing the methane content of biogas would result in the greater use of biogas and an analysis of how the expanded use of biogas could help meet the growing energy needs of the United States.

(4) Methods for productive use of nutrients recovered from qualified manure resource recovery property that benefit the agricultural economy.

(b) REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to Congress a report on the study conducted under subsection (a).

○