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Under Secretary For Rural Development
Renewable Fuels Association Board of Directors
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- **Thank you.**

- **I appreciate Bob (Dinneen) the invitation to join you today. So much has happened since we met seven months ago, including a greater realization by our nation of the importance of energy independence (War with Iraq, Northeast power outage, energy bill). In this vein, the work the RFA has been doing to further the development and production of renewable fuels is critical.**

- **Coupled with these efforts is Congress' continued deliberation this week of an energy bill. As you know, there is still much uncertainty of what will be in the final version and how it will affect renewable fuel efforts.**

- **While the outcome of the energy bill is yet to be known, you can be assured that the Bush Administration is also working to encourage the development of renewable fuel production in the United States.**
- **Through a unified effort, departments of Agriculture and Energy are bringing new approaches and a renewed commitment to this effort.**
- **I personally appreciate the efforts by Secretary Abraham, Deputy Secretary Kyle McSlarrow and the staff at Energy. We have joined the resources and expertise of Agriculture and Energy to ensure that implementation of our renewable fuel energy policy is done in a way that supports full utilization of our natural resources in commercial ventures.**
- **As I mentioned during your conference in Phoenix in February, we are beginning to realize the benefits of nearly 25 years of work to bring renewables to commercial marketability. Particularly ethanol.**

- **As I said then and I reiterate now – your industry is on the front lines in creating renewable energy opportunities and we appreciate the guidance you have given us in the development of federal programs, particularly the Renewable Energy and Energy Efficiency Improvement Systems (Section 9006).**

I think energy is the bright spot for agriculture

President Bush’s Commitment to Renewable Energy

- **There is no greater supporter of rural America than President Bush and his Administration. You might recall his first major policy initiative in May of 2001 was to develop and give direction to our nation’s energy policy – one that highlighted the issue of energy independence and national security. This initiative clearly brought renewable energy to the table.**
- **Renewable energy which involves everything from ethanol produced from many sources of biomass to wind, geothermal, and even anaerobic digestion of animal waste -- all clearly have places at the table.**

- **This focus and emphasis by the Administration set a tone and course for integrating renewable energy into our nation's national security, energy, and agriculture policies – that were soon to be followed up by Congress in the 2002 Farm Bill and signed into law in May of 2002.**
- **The significance of the Farm Bill is that it continued the focus of President Bush by expanding a number of policies that responded to these renewable energy and environmental opportunities.**

Implementing the Energy Title of the Farm Bill

- **How is Rural Development supporting the President's renewable energy efforts?**
- **I assure you that USDA's Rural Development is firmly committed to working with agricultural producers, cooperatives, and businesses to facilitate the development of renewable energy related business opportunities – ventures that will help create jobs in rural America.**

- **As an example of our commitment during the last two years, Rural Development has financed 73 loans and grants in 25 states totaling \$45 million to fund biobased and bioenergy related businesses. This is a significant step toward fulfilling the objectives of President Bush's energy plan and to create jobs.**

- **To bring these efforts into greater focus, I wish to expand upon two initiatives that have been center stage at Rural Development:**
 - **Agricultural Value-Added Product Market Development Grants**

 - **Section 9006 of the 2002 Farm Bill - THE RENEWABLE ENERGY SYSTEMS AND ENERGY EFFICIENCY IMPROVEMENTS**

1) VALUE-ADDED

- **Over the past two years, the Administration has placed a significant emphasis on helping producers to increase profit margins by adding value to their commodities.**
- **While agricultural policy is focused mainly on production, Rural Development strives to help maximize the return on all available resources in rural areas. Particularly including those derived through value-added endeavors.**
- **In support of President Bush's economic agenda, USDA Rural Development provided \$57 million in Agricultural Value-Added Development Grants for 291 recipients in 43 states, including \$10 million in proposals to develop and market bioenergy in 22 states. Roughly \$7 million was specifically for the development of ethanol production.**

- **In September we published a notice for applications for \$27.7 million in value-added funding. The application deadline is October 20, 2003. Overall, the focus of these grants is on helping to fund feasibility analysis, developing business plans, and providing the initial working capital for new value-added initiatives. The grants will help to strengthen the competitive edge for farmers and ranchers who can create additional profit and marketability for their raw commodities.**

2) SECTION 9006 -- Farm Security and Rural Investment Act of 2002 (Farm Bill)

- **At the end of August I announced the selection of \$21 million in grants to fund renewable energy/energy efficiency improvements. Funding to assist with the development of renewable energy systems included:**
 - **35 applications totaling \$7.4 million to support wind power,**
 - **30 applications totaling \$7 million for anaerobic digesters,**
 - **6 applications totaling \$1.1 million solar, and**

- **16 applications totaling \$4.4 million for a ethanol plants/anaerobic digesters, direct combustion and fuel pellet systems.**
- **Your association was especially helpful in providing us the input needed to develop the program in a way that is sensitive to the needs of the applicants.**

Joint effort – collaboration

- **We couldn't have crafted the program without the input and assistance of the Department of Energy. They have the expertise in developing energy systems, and we are appreciative for all of their guidance and assistance. It was critical to creating a successful process.**

Senate Finance Committee Testimony

- **I recently had the opportunity to testify before the Senate Finance Committee (August 26, 2003, Des Moines, Iowa) to share my support for renewable energy enterprises, and the need to adopt policies that embrace rather than impede such ventures.**

- **I believe we should move away from the decades old cooperative concepts toward a new concept of a cooperative, one that is attractive to investors. Existing tax rules applicable to investment in cooperatives need to be more flexible.**
- **The traditional model and tax structure was developed with good intentions.**
- **However, cooperatives are now struggling to convert the equity and dreams of many rural Americans into the kinds of economic opportunity they both need and desire.**

Energy Bill

- **Coupled with needed changes to our cooperative and tax structure is the need to formalize the energy bill in a way that supports renewable fuel ventures.**

- **The ethanol section of the bill is being worked out with the leadership of Senator Domenici and Representative Tauzin. Efforts are underway to reach agreement that will allow the electricity provisions, which among the last to be considered, to be finished and the completion of the energy bill to move more swiftly. I have not heard today, but hopefully the final ethanol language should be ready any day.**

Renewable Fuel Standard Title

- **While I would like to see a strong Renewable Fuel Standard in the renewable energy title, it appears that any compromise language will balance the interests of three major interest groups on Capitol Hill -- farmers, major oil companies and environmental activists.**
- **Hopefully any compromise agreement will create enough demand to meet current ethanol production capacity.**
- **The discussion of a potential compromise than would set a level of 3 billion gallons as the initial amount of renewable fuels refiners would be required to use in 2007 is**

encouraging. The required amounts would then ramp up from there to 5 billion gallons by 2012.

- **However the energy bill materializes, particularly the renewable energy title, USDA Rural Development will be focused on the overall need by this country to generate renewable energy ventures. And will work to strategically incorporate capital investments to support this effort.**

USDA Rural Development

- **As an \$86 billion bank with capital investments of nearly \$17 billion a year, USDA Rural Development serves as America's venture capital firm.**

CLOSING

- **I want to close my remarks with this message. When you look at the whole picture of the Bush Administration's record on renewable energy and biotechnology development, you will see a President and an Administration that is firmly behind you.**
- **The Departments of Agriculture and Energy will continue to focus our efforts toward working together with supporters of renewable energy, like RFA, to bring energy independence to our nation and to develop clean energy alternatives.**
- **We will continue to closely watch and provide input to the energy bill, particularly the renewable energy title, and we will make venture capital investments that not only support energy independence, but work to improve economic opportunities and an improved quality of life for all of rural America.**
- **Thank you for allowing me to join you today.**