



Oregon

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Oregon Department of Energy Legislative Proposal

Biofuels Package

The Department intends to reintroduce the biofuels package which nearly passed the Legislature last Session. A listing of the major provisions is provided below.

- Property Tax Exemption for Biofuel, Ethanol & Verified Fuel Additive Facilities
- Pollution Control Facilities: Adds biofuel processing and production plants, equipment used in those plants, farm storage facilities and related expenses to eligibility for the pollution control tax credit:
- New Tax Credit for Producers of Biofuel Raw Materials
- Clean Emission School Buses Fund (using federal and private funds).
- 5% Tax credit for Biofuel & Emissions Research & Development.
- Prohibits use of MTBE certain other additives (not including methanol)
- Set a Renewable Fuel Standards for biodiesel and ethanol based on in-state production.
- Clarifies that streamlined siting process for ethanol and biodiesel production facilities does not apply to coal-fueled facilities.
- Expands State agency alternative fuel requirements to include biodiesel and off-road vehicles.
- Reduces the excise tax on motor fuel by 0.24 cents per gallon for each 1% of biodiesel in the fuel (100% biodiesel would pay none of the 24 cents/gallon tax), limit of \$1 million annually.

Detailed Summary of Biofuels Package

Provided below is a detailed summary of the biofuels package which the Department intends to reintroduce next legislative Session.

“Biofuel, Ethanol & Verified Fuel Additive Facilities”

- Provides a new property tax exemption 50% of the value of biofuel production or renewable fuel additive production facilities.
- Allows any taxing district to elect not to participate in this property tax exemption.
- Applies to production facilities requesting exemptions after January 1, 2006 and sunsets on July 1, 2012.
- Extends the sunset on the existing property tax exemption for ethanol facilities to July 1, 2012.

(Sections 1- 4: of HB 3481 B & C).

“Pollution Control Facilities”

- Adds the following expenses to eligibility for the pollution control tax credit: biofuel processing and production plants, equipment used in those plants, farm storage facilities used exclusively for storing crops used to produce biofuel, farm equipment used for growing crops that are harvested for biofuel purposes. (Sections 5 – 9, HB 3481 B & C).

“Producers of Biofuel Raw Materials”

- Provides agricultural a new personal income or corporate excise tax credit for the amount of biodiesel, ethanol or biomass produced in the state from plant or animal matter.
- Tax credit amount provided by these sections is 5 cents per gallon of biodiesel, four cents per gallon for biodiesel, and \$10 per green ton biomass used for electric energy, heat, or transportation fuel.
- Provides a four year carryforward of the tax credit.

(Sections 11 –16, HB 3481 B, and sections 10-14 HB 3481 C).

“Clean Emission School Buses”

- Establishes an account for the Department of Education to provide grants to school districts to assist schools in replacing and retrofitting diesel school busses to install diesel exhaust after treatment devices and to use biodiesel fuel.
- Federal funds and private donations may be used for this purpose.
- No state funds are appropriated for these sections.

Sections 17 – 21 of HB 3481 B, and Sections 15-20 of HB 3481 C.)

“Biofuel or Emissions Research & Development”

- Establishes a new personal income or corporate tax credit for research and development of ethanol, biodiesel, and certain tailpipe emission reduction equipment.
- The amount of tax credit is 5% of DEQ-certified research and development costs.
- This tax credit begins January 1, 2006 and sunsets January 1, 2012.

(Sections 22 – 26 of HB 3481 B).

Gasoline Additive Restrictions.

- Changes the additives allowed in gasoline sold in Oregon, effective November 1, 2007.
- Prohibits use of MTBE in concentrations greater than 0.5% and certain other additives (not including methanol.)

(Sections 27 –28, HB 3481 B and Sections 31 and 32 of HB 3481 C).

“Renewable Fuel Standards”

- Imposes a requirement for 2% biodiesel for all diesel sold in Oregon once in-state production of biodiesel reaches a level of 5 million gallons annually.
- Imposes a requirement for 5% biodiesel for all diesel sold in Oregon once in-state production of biodiesel reaches a level of 15 million gallons annually.
- Imposes a requirement for 10 ethanol for all gasoline sold in Oregon once in-state production of ethanol reaches a level of 90 million gallons annually.

(Sections 21-30: HB 3481 C).

“Energy Facility Siting Requirements”

- Clarifies that streamlined siting changes for ethanol and biodiesel production facilities would not apply to coal-fueled facilities.

(Sections 29-31 of HB 3481 and Sections 33-35 of HB 3481 C.)

“State Government Use of Biodiesel”

- Expands existing alternative fuel requirement on state fleets to include biodiesel as an alternative fuel.
- Expands existing alternative fuel requirement on state fleets to apply to all state vehicles, whether on-road, off-road or construction vehicles.

(Sections 32 –36 of HB 3481 B, and Sections 36-37 of HB 3481 C).

“Fuel Tax Incentives”

- Reduces the excise tax on motor fuel by 0.24 cents per gallon for each 1% of biodiesel in the fuel (100% biodiesel would pay none of the 24 cents/gallon tax).
- Suspends the exemption if total reduction in taxes exceeds \$1 million annually.

(Sections 37-39 of HB 3481 B and Sections 38-43 of HB 3481 C).