SOUTH CAROLINA Biomass Council

PUBLIC POLICY RECOMMENDATIONS

CREATING JOBS, STIMULATING AGRICULTURE & FORESTRY, PROMOTING RURAL DEVELOPMENT, ENHANCING THE ENVIRONMENT AND PROMOTING ENERGY SELF-SUFFICIENCY BY FULLY DEVELOPING SOUTH CAROLINA'S BIOMASS POTENTIAL

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INTRODUCTION

The South Carolina Biomass Council Public Policy Recommendations are the result of numerous meetings among stakeholders throughout South Carolina over the course of 2006 to determine the best ways to promote biomass energy and bio-product developing in the state. South Carolina has no indigenous fossil fuel energy resources and investing money into indigenous bio-energy enterprises and using biomass produced in the state creates jobs, stimulates the state's agriculture and forestry sectors, promotes rural development, keeps money and research dollars in South Carolina, helps the state become more energy independent, and improves the environment.

The South Carolina Biomass Council hopes as a result of this process, the biomass-to-energy sector in South Carolina will emerge to its full potential. Already biomass has emerged as our top source of renewable energy in the state. Over 100 facilities burn wood and wood waste for process steam and generators, landfill gas utilization at five facilities and counting is providing the majority of green power in the state, and the University of South Carolina in Columbia is in the process of building a one-megawatt gasification plant to replace the natural gas used in its boilers. In June 2006, the South Carolina General Assembly passed some of the nation's most aggressive alternative fuels and energy tax incentives to help spur the development of three biodiesel plants, as well as potential ethanol production. The provisions also help make the price of ethanol and biodiesel more competitive with conventional fuels and give consumers incentives to purchase alternative fuel vehicles, which can operate on E85 (eighty-five percent ethanol, 15 percent gasoline).

Despite the positive incentives, biomass-to-energy consumption remains low in South Carolina. In 2005, alternative transportation fuel consumption was negligible, and renewable energy from biomass was less then one percent of total power generation. The South Carolina Biomass Council believes the recommendations in the report will help make biomass-to-energy and bio-product projects competitive with the rest of the country. Before being passed by the South Carolina General Assembly, recommendations for specific tax incentives should be compared to incentives offered by neighboring states, and adjusted to ensure competitiveness of South Carolina incentives.

To avoid undue disruption of food production, policies should encourage the production of non-food biomass, followed by unused or underutilized resources and/or byproducts of the current agricultural system. Additionally, as bio-based products become more common, we should remain alert to potential environmental issues associated with increased agricultural production, and work to ensure that air, water, and soil quality is not degraded as a result.

As the state develops the biomass sector, we should also be mindful of the tremendous opportunity to create or attract businesses, which convert biomass into bio-products and seek to follow the model of a petroleum refinery that transforms all components of its raw material input. The state should take an active role in assisting businesses and entrepreneurs to use our biomass feed stocks in their entirety, to make new products, thereby making the most effective use of our state's valuable and abundant biomass resources.

Finally, the South Carolina Biomass Council should consider potential regional partnerships. Though it is important to develop biomass projects in South Carolina, maintaining strong inter-state relationships will help to grow the biomass-to-energy industry.

RECOMMENDATIONS

I. EXISTING LEGISLATION

Act 397 (2006)

The SC Biomass Council recommends that the following language and changes from portions of Act 397 (the 2006 Budget Proviso, 72.113) be made into permanent law.

1. ***(A): Incentives for Vehicle Buyers***

(GP: Alternative Fuels and Fuel Efficiency Incentives) (A) Sales tax rebates shall be applied to vehicle purchases as follows.

(1) There shall be a $300 sales tax rebate for in-state purchases of all Flex-Fuel Vehicles (FFV), capable of operating on E85 motor fuel. The rebate shall be in the form of a payment sent to the buyer upon completion of a form created by the Department of Revenue and made available to the public, dealers, and the Department of Motor Vehicles. Eligible vehicles for each model year are those models identified by the manufacturer as being flexible-fuel vehicles capable of operating on E85 motor fuel. E85 motor fuel is a fuel comprised of eighty-five percent ethanol fuel and fifteen percent gasoline fuel.

(2) There shall be a $300 sales tax rebate for in-state purchases of all hydrogen fueled ~~cell~~ vehicles. The rebate shall be in the form of a payment sent to the buyer upon completion of a form created by the Department of Revenue and made available to the public, dealers, and the Department of Motor Vehicles. A hydrogen fueled ~~cell~~ vehicle is any vehicle classified by the United States Department of Energy as a hydrogen fueled ~~cell~~ vehicle.

(3) There shall be a $300 sales tax rebate for in-state purchases of plug-in hybrid gasoline-electric vehicles. The rebate shall be in the form of a payment sent to the buyer upon completion of a form created by the Department of Revenue and made available to the public, dealers, and the Department of Motor Vehicles. A plug-in hybrid gasoline-electric vehicle is a vehicle classified by the United States Department of Energy as a hybrid gasoline-electric vehicle capable of being propelled by both a gasoline-fueled internal combustion engine and an electric motor powered by a battery that can be recharged by being plugged into an external source of electricity.

(4) There shall be a sales tax rebate of up to $500 for in-state purchase of equipment that results in the conversion of a conventional hybrid gasoline-electric vehicle to a plug-in hybrid gasoline-electric vehicle, or any in-state purchase of *EPA-certified equipment for conversion of conventional vehicles to operate on LPG (propane), CNG (compressed natural gas), LNG (liquefied natural gas) or E85 (85% ethanol and 15% gasoline).* The rebate shall be in the form of a payment sent to the buyer upon completion of a form created by the Department of Revenue and made available to the public and dealers.

2. ***(B): Incentives at the pump***

(B) Incentive payments for alternative fuel purchases shall be provided as follows.

(1) There shall be a five cents incentive payment to the retailer for each gallon sold consisting of E85 fuel, provided that the qualified ethanol-based fuel is subject to the South Carolina motor fuel tax and the price of the qualified ethanol-based fuel is at least five cents lower than the price of the lowest priced gasoline fuel being sold at the same retail facility on the date of sale. *E85 is a motor fuel that meets ASTM Standard 5798.* The payment shall be made to the retailer upon compliance with verification procedures set forth by the Department of Agriculture.

(2) There shall be a five cents incentive payment to the retailer for each gallon sold consisting of B20 fuel, *or motor fuel with biodiesel fuel content of greater than 20 percent biodiesel*, provided that the qualified biodiesel content fuel is subject to the South Carolina motor fuel tax and the price of the qualified biodiesel content fuel is at least five cents lower than the price of the lowest priced diesel fuel being sold

at the same retail facility on the date of sale, *except in the event the station does not sell diesel fuel at the same facility.* B20 fuel is a *motor* fuel that is twenty percent biodiesel fuel and eighty percent petroleum-based diesel fuel. To qualify for incentive payments, the biodiesel fuel must be a fuel for motor vehicle diesel engines comprised of vegetable oils or animal fats and meeting the specifications of ASTM (American Society of Testing and Materials) ~~D 5761~~ ASTM D 6751. The payment shall be made to the retailer upon compliance with verification procedures set forth by the Department of Agriculture.

(3) There shall be a five cents incentive payment to the retailer or wholesaler for each gallon of B20 fuel sold as dyed diesel fuel for "off road" uses, provided the price of the B20 dyed fuel is at least five cents lower than the price the lowest non-B20 dyed diesel fuel sold by retailer or wholesaler on the same date. The payment shall be made to the retailer upon compliance with verification procedures set forth by the Department of Agriculture.

~~3.~~ ~~*72.113 (C): Incentives for Producer – tax credit per gallon of fuel*~~

~~(C) The following income tax credits shall apply to taxes imposed by Sections 12-6-510 and 12-6-530 of the 1976 Code for tax years beginning after December 31, 2006.~~

~~(1) There shall be a business or personal income tax credit of twenty cents for each gallon of biodiesel motor fuel produced mostly from soybean oil and sold, up to a maximum of three million gallons per year from each facility, for a maximum of five years for each facility. Credits are available for not more than one facility in each county in any calendar year, with priority given to the first facility in a county that produces biodiesel motor fuel using soybean oil as the feedstock. Credits are available to individuals or businesses producing motor fuel mostly from soybean oil for internal use without regard to the per county limitation. This credit may be carried forward for up to three years. The payment shall be made upon compliance with verification procedures set forth by the Department of Agriculture.~~

~~(2) There shall be a business or personal income tax credit of thirty cents for each gallon of biodiesel motor fuel a majority of which is produced from feedstock other than soybean oil and sold, up to a maximum of three million gallons per year, for a maximum of five years. Credits are available for not more than one facility in each county in any calendar year, with priority given to the first facility in a county that produces biodiesel motor fuel using a feedstock other than soybean oil. Credits are available to individuals or businesses producing biodiesel motor fuel for internal use, a majority of which is derived from feedstock other than soybean oil, without regard to the per county limitation. This credit may be carried forward for up to three years. The payment shall be made upon compliance with verification procedures set forth by the Department of Agriculture.~~

Act 386 (2006)

The SC Biomass Council recommends that the following language and changes be made in Act 386.

***S.1245 SECTION* 36.**A *B.1. Incentives for Distributors and Producers - Equipment Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:*

SECTION 36.A. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:

"Section 12-6-3600. (A) For taxable years beginning after 2006, and before 2014, there is allowed a credit against the tax imposed pursuant to this chapter for any *corn-based* ethanol or *soy-based* biodiesel facility which is in production at the rate of at least twenty-five percent of its name plate design capacity for the production of *corn-based* ethanol or *soy-based* biodiesel, before denaturing, on or before December 31, 2009. The facility must be placed in use after 2006. The credit equals twenty cents a gallon of *corn-based* ethanol or *soy-based* biodiesel produced and is allowed for sixty months beginning with the first month for which the facility is eligible to receive the credit and ending not later than December 31, 2014.

The credit only may be claimed if the *corn-based* ethanol or *soy-based* biodiesel facility maintains an average production rate of at least twenty-five percent of its name plate design capacity for at least six months after the first month for which it is eligible to receive the credit.

(B) As used in this section:

(1) 'Ethanol facility' means a plant or facility primarily engaged in the production of ethanol or ethyl alcohol ~~derived from grain components, coproducts, or byproducts~~ *from renewable and sustainable bio-products used as a substitute for gasoline fuel;*

(2) 'Biodiesel facility' means a plant or facility primarily engaged in the production of ~~vegetable~~ *plant oils* or animal based fuels used as a substitute for diesel fuel; and

(3) 'Name plate design capacity' means the original designed capacity of an ethanol or biodiesel facility. Capacity may be specified as bushels of grain ground or gallons of ethanol or biodiesel produced a year.

~~(C) A ethanol or biodiesel facility eligible for a tax credit under subsection (A) of this section also shall receive a credit against the tax imposed pursuant to this chapter the amount of twenty cents a gallon of ethanol or biodiesel produced in excess of the original name plate design capacity which results from expansion of the facility completed after 2006 and before 2009. The tax credit is allowed for sixty months beginning with the first month for which production from the expanded facility is eligible to receive the tax credit and ending not later than 2014.~~

(C) For taxable years beginning after 2006, and before 2014, there is allowed a credit against the tax imposed pursuant to this chapter for any ethanol facility using a feedstock other then corn or a biodiesel facility using a feedstock other then soy oil, which is in production at the rate of at least twenty-five percent of its name plate design capacity for the production of ethanol or biodiesel, before denaturing, on or before December 31, 2009. The credit equals thirty cents a gallon of non-corn ethanol or non-soy oil biodiesel produced and is allowed for sixty months beginning with the first month for which the facility is eligible to receive the credit and ending not later than December 31, 2014. The credit only may be claimed if the ethanol or biodiesel facility maintains an average production rate of at least twenty-five percent of its name plate design capacity for at least six months after the first month for which it is eligible to receive the credit.

(D)(1) Pursuant to this chapter, beginning January 1, 2014, an ethanol or biodiesel facility must receive a credit against the tax imposed in the amount of seven and one-half cents a gallon of ethanol or biodiesel, before denaturing, for new production for a period not to exceed thirty-six consecutive months.

(2) For purposes of this subsection, 'new production' means production which results from a new facility, a facility which has not received credits before 2014, or the expansion of the capacity of an existing facility by at least two million gallons first placed into service after 2014, as certified by the design engineer of the facility to the Department of Revenue.

(3) For expansion of the capacity of an existing facility, 'new production' means annual production in excess of twelve times the monthly average of the highest three months of ethanol or biodiesel production at an ethanol or biodiesel facility during the twenty-four-month period immediately preceding certification of the facility by the design engineer.

(4) Credits are not allowed pursuant to this subsection for expansion of the capacity of an existing facility until production is in excess of twelve times the three-month average amount determined

pursuant to this subsection during any twelve-consecutive month period beginning no sooner than January 1, 2014.

(5) The amount of a credit granted pursuant to this section based on new production must be approved by the Department of Revenue based on the ethanol or biodiesel production records as may be necessary to reasonably determine the level of new production.

(E)(1) The credits described in this section are allowed only for ethanol or biodiesel produced at a plant in this State at which all fermentation, distillation, and dehydration takes place. Credit is not allowed for ethanol or biodiesel produced or sold for use in the production of distilled spirits.

(2) Not more than twenty-five million gallons of ethanol or biodiesel produced annually at an ethanol or biodiesel facility is eligible for the credits in subsections (A) and (C) of this section, and the credits only may be claimed by a producer for the periods specified in subsections (A) and (C) of this section.

(3) Not more than ten million gallons of ethanol or biodiesel produced during a twelve-consecutive month period at an ethanol or biodiesel facility is eligible for the credit described in subsection (D) of this section, and the credit only may be claimed by a producer for the periods specified in subsection (D) of this section.

(4) Not more than one hundred twenty-five million gallons of ethanol or biodiesel produced at an ethanol or biodiesel facility by the end of the sixty-month period set forth in subsection (A) or (C) of this section is eligible for the credit under the subsection. An ethanol or biodiesel facility which receives a credit for ethanol or biodiesel produced under subsection (A) or (C) of this section may not receive a credit pursuant to subsection (D) of this section until its eligibility to receive a credit under subsection (A) or (C) of this section has been completed.

(F) The Department of Revenue shall prescribe an application form and procedures for claiming credits under this section.

(G) For purposes of ascertaining the correctness of any application for claiming a credit allowed pursuant to this section, the Department of Revenue may examine or cause to have examined, by any agent or representative designated for that purpose, any books, papers, records, or memoranda bearing upon these matters."

B.1. Article 25, Chapter 6, Title 12 of the 1976 Code is amended by adding:
"Section 12-6-3610. (A) As used in this section, renewal fuel means liquid nonpetroleum based fuels that can be placed in motor vehicle fuel tanks and used as a fuel in a highway vehicle. It includes all forms of fuel commonly or commercially known or sold as biodiesel and ethanol.

(B) A taxpayer that constructs and installs and places in service in this State a qualified commercial facility for distribution or dispensing renewable fuel is allowed a credit equal to twenty-five percent of the cost to the taxpayer against the taxpayer's liability for a tax imposed pursuant to this chapter constructing and installing the part of the distribution facility or dispensing facility, including pumps, storage tanks, and related equipment, that is directly and exclusively used for distribution, dispensing, or storing renewable fuel. A facility is qualified if the equipment used to store, distribute, or dispense renewable fuel is labeled for this purpose and clearly identified as associated with renewable fuel. The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in three equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of

the years in which the installment of a credit accrues, the portion of the facility directly and exclusively used for distributing, dispensing, or storing renewable fuel is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The unused portion of an unexpired credit may be carried forward for not more than ~~ten~~ *fifteen* succeeding taxable years.

(C) A taxpayer that constructs and places in service in this State a commercial facility for *substantially* processing renewable fuel*, and other facilities which produce renewable fuels such as crushing facilities producing oils for fuels, milling equipment, and biomass handling equipment related to biofuel production, are* ~~is~~ allowed a credit equal to twenty-five percent of the cost to the taxpayer of constructing and equipping the facility. The entire credit may not be taken for the taxable year in which the facility is placed in service but must be taken in seven equal annual installments beginning with the taxable year in which the facility is placed in service. If, in one of the years in which the installment of a credit accrues, the facility with respect to which the credit was claimed is disposed of or taken out of service, the credit expires and the taxpayer may not take any remaining installment of the credit. The unused portion of an unexpired credit may be carried forward for not more than ~~ten~~ *fifteen* succeeding taxable years.

(D) A taxpayer that claims any other credit allowed under this article with respect to the costs of constructing and installing a facility may not take the credit allowed in this section with respect to the same costs."

B.2. Section 12-6-3610 of the 1976 Code, as added by this section, is repealed effective for facilities placed in service after 2011.

B.3. Notwithstanding the general effective date of this act, this section takes effect upon approval of this act by the Governor and applies for facilities placed in service after 2006.

C.1. Section 12-28-110(39) of the 1976 Code is amended to read:

"(39) 'Motor fuel' means gasoline, diesel fuel, renewable fuel, and blended fuel."

C.2. Section 12-28-110 of the 1976 Code is amended by adding at the end:

"(69) 'Biodiesel' means vegetable or animal based fuels used as a substitute for diesel fuel.

(70) 'Renewable fuel' means liquid non-petroleum based fuels that can be placed in vehicle fuel tanks and used as a fuel in a highway vehicle. It includes all forms of fuel commonly or commercially known or sold as biodiesel and ethanol."

D. Section 12-28-990(A) of the 1976 Code, as last amended by Act 69 of 2003, is further amended to read:

"(A) Each person blending materials on which the user fee has not been paid including blendstocks, additives, and renewable fuels with motor fuels subject to the user fee as to which the user fee has been paid or accrued shall remit the user fee imposed by this chapter."

E. Except where otherwise provided, this section takes effect upon approval by the Governor.

Incentives for ~~Landfill Gas~~ Biomass Energy Producers: **"Section 12-6-3620.**

(A) For taxable years beginning after 2006, there is allowed a tax credit against the tax imposed pursuant to Section 12-6-530 for twenty-five percent of the costs incurred by a taxpayer for *purchase and installation of equipment acquired primarily for creation of heat, power, steam, electricity or other forms of energy for commercial use from a biomass resource.* ~~use of methane gas taken from a landfill to provide power for a manufacturing facility.~~

~~(~~B) The tax credit allowed by this section may not exceed fifty percent of the liability of the taxpayer for the tax imposed pursuant to Section 12-6-530. Unused credits may be carried forward for ~~ten~~ *fifteen* years.

(C) For purposes of this section, manufacturing facility is as defined in Section 12-6-3360(M)(5).

II. NEW LEGISLATION

GRANTS AND LOANS

A. *Small-Scale Alternative Energy Revolving Loan Program*: Provide low-interest loan funds to qualified individuals and organizations that seek to build renewable energy production facilities. The fund would provide up to 50% of the total loan amount at a low interest rate with a maximum of $250,000 per application. This would include biomass energy, alternative transportation fuels, and other renewable energy resources that produce fuel or energy.

B. *Provide critical information:* State funding should be appropriated to help meet the needs of biomass energy and products development in South Carolina through education and filling information gaps. The money would include:

1. Fund a new position in state government for the following purposes:
    a) Grant funding coordination: regularly compile all available information on grant, loan and financial assistance from all federal agencies and other outside funding sources, organize the information in a user-friendly manner, and constantly disseminate this information to interested parties. Provide grant-writing and advisory assistance to all South Carolina organizations and individuals interesting in applying for funds.
    b) Data bank: develop inventories of renewable energy resources, renewable energy producers, renewable energy users, and potential renewable energy users. Constantly update this information and disseminate the information to interested parties.
    c) Evaluate legislation: quantitative evaluation of the effectiveness of biomass incentive legislation.
2. Education and Awareness: appropriate funding for broad-based biomass energy and products education and awareness program. This fund would be applied to: interstate signage for stations selling biofuels, billboards, media campaigns, stationary and mobile exhibits, funding for program administration, and other related public education operations.

C. *Biomass Energy Application and Bioproducts Grant Program*: Fund a matching grant program intended to assist private and public entities in being more competitive in obtaining federal and other available grants. The program would include but not be limited to:

- Provide funds to use as matching funds for federal grants through existing programs up to $100,000 (e.g. LAUNCH);
- Support projects that demonstrate the viability of new and future biomass technologies and products;
- Support existing programs that focus on renewable energy and apply for additional aid;
- Provide small-scale funding for researchers to develop proposals for significant federal and other outside funding (planning funds);
- Seek lottery-funded endowed chair dedicated to biomass utilization and renewable energy production pertinent to South Carolina.

PRODUCTION INCENTIVES

A. *Licensed Blenders Credit:* Adopt incentives for federally-licensed blenders of ethanol and biodiesel. A taxpayer that is licensed according to IRS Form 637 to produce blended biodiesel or ethanol at a facility located in South Carolina is entitled to a credit of $0.02 per gallon of blended biodiesel or ethanol.

B. *Biomass energy production incentive:* Provide incentive payments for production of electricity and/or methane gas fuel from biomass to support primarily biomass-to-energy projects up to 2 MW for up to ten years and provide a 1.0 cent per kWh payment for electricity production and a 1.0 cent per therm payment for methane produced from biomass. The fiscal impact for this incentive is approximately two million dollars a year for ten years assuming twenty-five projects ranging from 0.5 MW – 2.0 MW.

PROPERTY, SALES, AND FRANCHISE TAX EXEMPTIONS

Energy Conversion Facilities Tax Exemption: Exempt biomass energy equipment from property taxation, the state's sales and use tax, and the state's franchise tax where applicable. The exemption will apply strictly to tangible property used in the conversion of biomass-to-energy, to include but not to be limited to: landfill gas extraction and generation equipment, waste-recovery systems for corporations, utilities, and farmers, wood combustion and gasification equipment, ethanol and biodiesel production, bio-based products that displace fossil fuels, and other biomass-to-energy projects.

TAX CREDITS

Jobs Creation Tax Credit: Alter the current jobs creation tax credit to reduce the required minimum number of individuals (currently ten a year) needed to obtain the job creation tax credit for businesses producing biomass energy. The job creation credit should also apply to a sole proprietorship or LLC registered with the State Department of Commerce against a personal income tax.

STATE LAW EXEMPTIONS

Air Regulations: State air regulations should be consistent with federal air regulations which allow for up to 30% of a combustion unit's fuel to be refuse-derived without being subjected to specialized emissions standards designed solely for MSW-fired combustion units. Additionally the state should encourage up to 100% of a combustion unit's fuel to be post-MRF residuals without being subjected to emission standards for MSW-fired combustion units, subject to appropriate process specifications and quality controls as determined by DHEC, consistent with the case-by-case evaluations allowed under Section III of Standard 3, Regulation 61-62.5. Finally, develop air quality guidelines and/or regulations to streamline the permit review and issuance for technologies that improve air emissions compared to combustion processes, including but not limited to gasification of renewable fuels, provided that the SC Department of Health and Environmental Control (DHEC) concurs with this policy and all possible emission mitigation technology is employed.

STATE MANDATES

State Government Renewable Energy Use: Mandate state agencies fulfill some reasonable fraction of their energy needs with renewable resources (e.g., biomass energy, green power, bio-based products that are an alternative to fossil-based products, alternative fuel vehicles, etc.), with the fraction increasing to extent of availability.

NET METERING

Net Metering: Federal law requires all electric utilities to fairly evaluate interconnection and net metering terms and procedures. The South Carolina Biomass Council and State officials should work with the Public Service Commission (PSC), Santee Cooper, electric cooperatives and municipal electric utilities to insure that reasonable interconnection and net metering terms and procedures are adopted by all state electric utilities with the purpose of encouraging development of biomass energy and other renewable energy resources in South Carolina. The Council also encourages natural gas pipelines to purchase methane produced from biomass sources in South Carolina.

RENEWABLE ENERGY BONDS

Federal Clean Renewable Energy Bonds: The South Carolina Biomass Council encourages state and local governments and cooperative electric companies to apply for federal Clean Renewable Energy Bonds (CREBs) if the program continues past 2007. The South Carolina Biomass Council also encourages the state's congressional delegation to allocate more funds towards the federal Clean Renewable Energy Bonds Program and to assist state and local governments and cooperative electric companies apply for the grants.

AGENCY FUNDING

A. *Establish a biodiesel testing program within the South Carolina Department of Agriculture:* The South Carolina Biomass Council suggests legislation should appropriate a one-time fund of $250,000 to upgrade biodiesel testing equipment within the Department of Agriculture fuels laboratory to ensure that biodiesel produced in South Carolina meets ASTM standards. The expansion of the Department of Agriculture fuels testing lab would assist small scale biodiesel producers. The South Carolina General Assembly should also give the Department of Agriculture the regulatory authority to require certain biodiesel standards. The testing facility would be available for any registered fuel producer with the United States Environmental Protection Agency that is located in South Carolina.

B. *Establish funding for the South Carolina Energy Office and the South Carolina Institute for Energy Studies*: At present, both the South Carolina Energy Office and the South Carolina Institute for Energy Studies are totally dependent on external funding, which has been decreasing in recent years. The Biomass Council recommends that the State provide annual base level funding of at least $300,000 for the South Carolina Energy Office and consider providing a permanent source of funding for the South Carolina Institute for Energy Studies, in order to provide matching funds for federal grants and to ensure the ability of these two entities to provide basic staff support for biomass and other renewable energy development activities in South Carolina.

JOINT WORKING GROUP

Joint Energy Policy Working Group: Utilities, the Office of Regulatory Staff, the South Carolina Energy Office, the South Carolina Biomass Council, business groups, consumer groups, environmental groups and other stakeholders should form a joint energy policy working group to:

1. Create opportunities for collaboration;
2. Assist efforts to gather information about biomass energy resources;
3. Discuss issues pertaining to utilization of green energy by electric utilities.