

Federal bill could create biogas tax credits, bolster organics infrastructure



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Dive Brief:

- Rep. Ron Kind, D-Wisc., and Rep. Tom Reed, R-N.Y., have reintroduced the Agriculture Environmental Stewardship Act (H.R. 3744) in an effort to create a new 30% investment tax credit (ITC) for qualifying biogas and nutrient recovery projects.
- Final language has not been published, but a review by the American Biogas Council (ABC) confirms farm-based and standalone anaerobic digesters would be included. A 52% methane production threshold makes it unlikely that any landfill projects could qualify.
- H.R. 3744 has been referred to both the House Ways and Means Committee and the Science, Space, and Technology Committee. It currently has bipartisan sponsorship by eight congressional members from six states.

Dive Insight:

The expiration of the ITC benefits in 2016, followed by the expiration of related production tax credits in 2017, are frequently cited as key limitations for financing new biogas infrastructure. While other incentives such as California's Low Carbon Fuel Standard have helped fill the gap for certain projects, nothing has replaced the tax credits on a national level. As written, this bill would create a new tax credit that goes beyond the original parameters by including all biogas projects – regardless of whether they generate electricity.

"The history of the investment tax credit and the production tax credit to incent energy exploration is longstanding. They did it for oil and gas. It's been hugely successful in wind and solar. It's time that anaerobic digestion gets its chance to have that same help," Vanguard Renewables CEO John Hanselman told Waste Dive.

Vanguard, the largest food waste recycler in the Northeast, has made its model work by co-locating projects on farms and having "exceedingly patient" investors. Hanselman's prior experience in the solar industry has also made him keenly aware of what could be accomplished with a 30% tax credit. He anticipates it would bring more interest from private equity investors and the chance to access "a whole new set of capital markets."

Because anaerobic digester projects are capital-intensive — and sometimes have to compete with lower disposal tip fees in regional markets — those expanded options could make a critical difference. A growing number of state or local organics diversion mandates have helped drive some investment, although they still don't exist in many parts of the country.

Quantum Biopower was able to build Connecticut's first anaerobic digester in the absence of such regulatory policies — in part by sourcing material from neighboring states that do have them —but was also a beneficiary of the ITC before it expired. With the company in the process of expanding its capabilities at the initial site, and now eyeing new projects, the return of federal incentives would be a welcome development.

"The re-implementation of the Investment Tax Credit for biogas projects offers needed parity with other forms of renewable energy production, considering biogas provides critical baseload power while at the same time reducing carbon emissions by recycling organic waste," Quantum Vice President Brian Paganini said via email.

The 2017 version of the bill attracted 28 cosponsors, but never progressed. It's possible the political calculus could be different this time around, with new leadership in the House and ongoing talk from President Trump about the farming sector. The potential to keep agricultural nutrients from entering watersheds, while also providing new economic opportunities to farmers, has been described as a primary catalyst for H.R. 3744.

The ABC emphasized those angles in its own release about the bill. Executive Director Patrick Serfass called it "a boost to on-farm economies and watershed protection

everywhere," describing biogas projects as a way to "create new jobs and protect our air, water and soil."

The Trump administration has been promoting its support for voluntary food waste reduction measures largely focused on upstream production. The 2018 Farm Bill also included some useful provisions to advance that work. Still, the availability of infrastructure for processing downstream material remains a key factor if any serious progress is to be made on changing the current landfill disposal status quo.