



# **Supporting Bioenergy and the Bioeconomy**



**USDA Rural Development  
Rural Business-Cooperative Service  
Energy Programs**

**Biomass Research and Development  
Technical Advisory Committee  
August 17, 2016**

## Loan Guarantees - General

- Application Process

Borrower → Lender → USDA

- Lender submits the application to USDA
- Borrower must meet the credit requirements of the lender and USDA program requirements

# Key Terms and Definitions

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## Renewable Biomass:

1. Materials, pre-commercial thinnings, or invasive species from National Forest System land or public lands, or
2. Any organic matter that is available on a renewable or recurring basis from non-Federal land or land belonging to an Indian or Indian Tribe including:
  - i. Renewable plant material, including feed grains; other agricultural commodities; other plants and trees; and algae; and
  - ii. Waste material, including crop residue; other vegetative waste material (including wood waste and wood residues); animal waste and byproducts (including fats, oils, greases, and manure); and food waste and yard waste.

# Definitions

## **Biorefinery:**

A facility (including equipment and processes) that converts Renewable Biomass into Biofuels and Biobased Products and may produce electricity.

## **Biofuel:**

A fuel derived from Renewable Biomass

## **Advanced Biofuel:**

Fuel derived from Renewable Biomass, other than corn kernel starch...  
(including landfill gas and sewage waste treatment gas)

# Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program (9003)

Two types of projects by Statute:

1. Commercial-scale Biorefineries using Eligible Technology
2. Biobased Product Manufacturing Facilities

## 9003 Biorefineries

Eligible projects are the development, construction, or Retrofitting of a Commercial-Scale Biorefineries using Eligible Technology.

- Must produce an advanced biofuel
- May produce biobased products and renewable chemicals

## Biobased Product Manufacturing

Eligible projects are the development, construction, and Retrofitting of Technologically New Commercial-Scale facilities that

- Convert Renewable Chemicals and other biobased outputs of Biorefineries (biobased products of biorefineries) into
- End-user products on a Commercial Scale
- Technologically New

## Biobased Product Manufacturing

### Biobased Product Manufacturing (9003):

The use of Technologically New Commercial-Scale processing and manufacturing equipment and required facilities to convert Renewable Chemicals and other biobased outputs of Biorefineries into end-user products on a Commercial Scale.

### Technologically New (9003):

New or significantly improved equipment, process or production method or a new or significantly improved product, of which the first Commercial-Scale use in the United States is within the last five years and is used in not more than three Commercial-Scale facilities in the United States.

### End-user Product (9003):

(Not defined by Statute or program regulations. Use common definition.)

## Biorefinery, Renewable Chemical, and Biobased Product Manufacturing Assistance Program

### Key points:

- Loans of up to \$250 Million (no minimum)
- Loan amount cannot exceed 80% of eligible project cost (generally 50 – 60%)
- New technology is eligible
- Not limited to rural locations
- Competitive application process

## Section 9003 Application Process

- The Section 9003 Program uses a 2-phase application process.
- Two application cycles each fiscal year. Applications may be submitted at any time.
- Letter of Intent deadlines are 30 days prior to the application closing date
- Application closing dates are October 1 and April 1 (or next business day)



## **9003 Program Status Update:**

- Letters of Intent – September 3, 2016
- Phase One Applications – October 5, 2016

## **Funds Available**

- Approximately \$300 million



## 9003 Phase One Applications Include:

- Application Form
- Project Summary
- Financial Statements and Financial Model
- Feasibility Study
- Business Plan
- Priority Scoring Information



## 9003 Phase Two Application Process:

- Technical Report
- Environmental Assessment
- Financial Analysis and Due Diligence
- Drafting of a Conditional Commitment

## Rural Energy for America Program (REAP)

Energy Efficiency		Renewable Energy	
	Lighting		Solar
	Heat & Power		Wind
	Refrigeration		Small Hydroelectric
	HVAC		Anaerobic Digesters
	Equipment and Processes		Biomass
	Automated Controls		Geothermal
	Buildings Updates		Wave/Ocean Power

The technology must be commercially available. Research and development projects do not qualify.

# REAP Applicants and Borrowers

## Agricultural Producer



- **Individual or entity that receives 51 percent or more of their gross income from agricultural production** – crops, livestock, aquaculture, forestry operations, nurseries, dairies

## Rural Small Business



- **For-profit small business** - as defined by the Small Business Administration (SBA)
- **Rural area or non-metro community of  $\leq$  50,000**

# REAP Loan and Grant Terms

## Renewable Energy Systems

## Energy Efficiency Improvements

Grant amount cannot exceed 25% of Eligible Project Cost

Minimum Grant Request **\$2,500**  
Total eligible project costs  $\geq$  \$10,000

Minimum Grant Request **\$1,500**  
Total eligible project costs  $\geq$  \$6,000

Maximum Grant Request **\$500,000**  
Total eligible project costs  $\geq$  \$2 million

Maximum Grant Request **\$250,000**  
Total eligible project costs  $\geq$  \$1 million

Loan amount (and combo loan and grant amount) cannot exceed 75% of eligible project cost

Minimum Loan Amount **\$5,000**  
Total eligible project costs  $\geq$  \$6,667

Maximum Loan Amount **\$25 million**  
Total eligible project costs  $\geq$  \$33.4 million

- Details
- USDA guarantees a commercial loan; applicant must have a willing lender.
  - Terms are negotiated between the lender and borrower.
  - Applications accepted year round
  - Loan and Grant combo  $\leq$  75% of project cost

## Business & Industry (B&I) Program

Purpose:

- Develop and Finance Business and Industry
- Create/Save Employment
- Improve Economic Climate
- Improve Environmental Climate





## **B&I Program Eligible Borrowers**

- Cooperative, Corporation, Partnership, or other legal entity
- Indian Tribe
- Individual
- Borrowers must be engaged in a business, provide employment, and improve the economic or environmental climate

## B&I Program Eligibility

1. Businesses must be located in a rural area:
  - Outside of any city having a population of 50,000 or more.
  - Outside of any urbanized and urbanizing area immediately adjacent to a city having a population of 50,000 or more.
2. Minimum tangible balance sheet equity at the time of financial close:
  - Minimum 10% for Existing Businesses
  - Minimum 20% for New Businesses

## B&I Program Loan Terms

- Maximum Loan amount: \$25 Million (\$40 Million for Cooperatives)
- Interest rate negotiated by Lender and Borrower
  - Fixed
  - Variable
  - Combination of Fixed and Variable
- Maximum Loan Terms
  - Real Estate: 30 Years
  - Machinery and Equipment: 15 Years
  - Working Capital: 7 Years

## USDA Rural Development Resources:

<http://www.rd.usda.gov/browse-state> (Rural Development State Offices)

[http://www.rd.usda.gov/files/RBS\\_StateEnergyCoordinators.pdf](http://www.rd.usda.gov/files/RBS_StateEnergyCoordinators.pdf)

<http://www.rd.usda.gov/programs-services/biorefinery-renewable-chemical-and-biobased-product-manufacturing-assistance>

<http://www.rd.usda.gov/programs-services/rural-energy-america-program-renewable-energy-systems-energy-efficiency>

<http://www.rd.usda.gov/programs-services/business-industry-loan-guarantees>

<http://www.usda.gov/energy/matrix/FindPrograms>

<http://www.rd.usda.gov>

## Q & A Session –



**Mark Brodziski**, Director, Energy Division  
USDA Rural Development  
202-205-0903  
[Mark.Brodziski@wdc.usda.gov](mailto:Mark.Brodziski@wdc.usda.gov)