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

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.
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
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 (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:

- 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)

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<th>Energy Efficiency</th>
<th>Renewable Energy</th>
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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 ≤ 50,000
## Rural Business-Cooperative Service

### REAP Loan and Grant Terms

<table>
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<th>Renewable Energy Systems</th>
<th>Energy Efficiency Improvements</th>
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<td><strong>Grant amount cannot exceed 25% of Eligible Project Cost</strong></td>
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<tr>
<td>Minimum Grant Request</td>
<td>$2,500</td>
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<tr>
<td>Total eligible project costs &gt; $10,000</td>
<td>Minimum Grant Request $1,500 Total eligible project costs &gt; $6,000</td>
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<tr>
<td>Maximum Grant Request</td>
<td>$500,000</td>
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<tr>
<td>Total eligible project costs &gt; $2 million</td>
<td>Maximum Grant Request $250,000 Total eligible project costs &gt; $1 million</td>
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<tr>
<th>Loan amount (and combo loan and grant amount) cannot exceed 75% of eligible project cost</th>
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<tbody>
<tr>
<td>Minimum Loan Amount</td>
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<tr>
<td>Total eligible project costs &gt; $6,667</td>
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<tr>
<td>Maximum Loan Amount</td>
</tr>
<tr>
<td>Total eligible project costs &gt; $33.4 million</td>
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**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 ≤ 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/programs-services/business-industry-loan-guarantees
http://www.usda.gov/energy/matrix/FindPrograms
http://www.rd.usda.gov
Q & A Session –

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