

Assemblymember Kristin Olsen - Constituent Bill Proposal Worksheet

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Name: Green Carbon Nexus Inc

Address: 2240 St George Ln, Chico CA 95973

Thor Bailey / GCN President Phone: 530-966-1935 Email: thor@appliedbiomass.us

Bill Proposal:

This outline is a draft concept for establishing a tax or other targeted incentive for investment into the Biomass Mitigation Fund (BMF). The fund will be minimum risk seed money for micro loans for Ag innovation based startup and other small business development companies. The primary criteria is pursuing proposing alternative solutions for converting Agriculture residues into value added products, such as biochar as primary product with energy another value added by-product. The foundation for the bill will be a continuation of the objectives Assemblyman Dave Cogdell was pursuing in 2004 related to open field burning of orchard wood & pruning.

For 30 years there has been countless tax dollars at the Federal & California level invested in misguided and outdated incentives promoting large scale bioenergy systems. They have been well intended, yet missed the objective of improved air, water quality and jobs through smaller systems strategically located near feedstock source, as opposed to large centralized facilities. This bill would change the biomass energy conversion paradigm to include the boutique organic soils science arena and carbon sequestration. Since the primary objective is associated with Sustainable Agriculture, GCN is recommending the California Department of Food and Agriculture (CDFA) be the lead oversight agency. In addition to CDFA, CalCAN, Roots of Change, Air & Water Quality related agencies should monitor quantifiable emissions and carbon sequestration results.

What is existing law on this topic?

The GCN is not aware of a specific law recently adopted or what may already be in the legislative progress, yet the following are 3 close examples:

Mitigation Banking for wetlands & wildlife restoration

<http://www.ecy.wa.gov/programs/sea/wetlands/mitigation/banking/sponsor.html>

SB 1122 Small Scale Biomass combined heat & power (CHP) production.

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml;jsessionid=cd36e5138d18004eeb1fc4f367a0?bill_id=201120120SB1122

AB 118 Air Quality Improvement Program

<http://www.arb.ca.gov/msprog/aqip/aqip.htm>

Draft Outline

What is wrong with existing law?

GCN is not suggesting laws are wrong; rather do not exist for risk funding. GCN is not aware of existing laws that are similar and more investigation may be appropriate. Presently the biomass conversion incentives are targeted toward well established and financed business. They do not address the front end risk and regulatory paperwork associated with small project expenses and new startup or expanding small businesses. Basically the fund would consider factors SBA and other financing sources that require 3 year tax returns and operations track record along with loan security with collateral.

Why is this needed?

Generally the existing market for Agriculture wood residues in the Central Valley is the power plants built about 30 years ago and many already shut down. The remaining are nearing the technology operational and efficiency life. Also with inexpensive natural gas available for the foreseeable future, Utilities and Municipalities are turning to small “peaker plants” strategically located within their service grid.

Closed loop farm energy scenarios with combined heat and power (CHP) tend to accommodate what the farm community needs and may invest in. This is where the BMF can be instrumental in helping overcome the financial disparity with small scale systems development. Another issue is there is too much big money looking for Cap & Trade deals, but little for small amounts. BMF will bridge the disparity.

Has similar legislation been introduced?

Yes there have been many examples of CARB, CWQCB, USDA Rural Development, SBA, and EDC related attempts to stimulate jobs in the biomass energy sector, with little results. The general assumption has been well capitalized companies with track records will implement projects with waste stream conversion solutions.

What will be the cost of this measure?

GCN is proposing an approach where there would not be a cost to California general fund. Our proposal is creating a non-profit tax incentive for individual farmers and commercial developers in the private sector to invest. The intent is to manage the fund through new B Corporation with financially conservative Governance made of qualified business management experience.

Does it create jobs?

Yes many field operations, equipment manufacturing and service jobs for rural communities will be a net benefit. In addition to the basic labor force and percentage of hi-tech computer programming and conversion facility operators will be required.

Proposals Significance (Check One)

<i>Statewide: X</i>		
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Potential Supporters:

- CDFA

Draft Outline

- CalFIRE
- Agribusiness
- State Farm Bureau
- CalCAN
- Roots of Change
- USDA
- County RCD's
- Others

Potential Opponents:

The concept of BMF has evolved since 2006 when a frustrated Ag lender at Tri Counties Bank in Visalia did not want to waste his time on USDA loan guarantees for a dairy client. In the ten years of GCN testing to BMF concept in many business circles, we have not found any opposition when explained adequately.

Considering the upside and small amount of private capital required to change the biomass conversion paradigm, there should be no or very little opposition. With the Governor's recent mandate for California to cut greenhouse gas emissions further GCN and our company allies are sure he will back the Mitigation Fund tax incentive concept.

<i>Passage:</i>	<i>Yes</i>	<i>No</i>	<i>Maybe</i>
<i>Assembly</i>	X		
<i>Senate</i>	X		
<i>Governor</i>	X		

Comments/Miscellaneous: