

MICROFILM DIVIDER

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2003 HOUSE FINANCE AND TAXATION

HB 1309

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1309

House Finance and Taxation Committee

Conference Committee

Hearing Date January 22, 2003

Tape Number	Side A	Side B	Meter #
1	X		24

Committee Clerk Signature

Jamie Stein

Minutes:

REP. WESLEY BELTER, CHAIRMAN Called the hearing to order.

REP. PAM GULLESON, DIST. 26 Introduced the bill. See written testimony plus a handout on Biodiesel Myths & Facts. She also submitted testimony from Terry Goerger, an ag producer from Mantador, ND, in Richland County.

REP. EUGENE NICHOLAS, DIST. 15 Co-sponsor of the bill. Stated he has been a long supporter of biodiesel efforts, along with ethanol production in this state. Without question, since 911, the dynamics of this whole debate has changed immensely. We are about to head to war in Iraq, and I think it is extremely significant, in the fact, that that war will take somewhere between fifty and sixty billion dollars. We all know why we are having problems with those countries that are supplying a huge amount of our domestic energy supply. It is obvious that the domestic energy industry will not be able to meet our demands. Our increasing dependence on foreign energy, is almost unbelievable. It is at crisis proportions. I think we have the greatest

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opportunity in rural America, as we move toward an independence on biodiesel and ethanol, to help resolve this problem. Not only is it good for the ag economy, it will help decrease the dependence of the American farmer on subsidies, which so many people are opposed to. The net income in rural America, comes from enhancements of the government. I think we have a huge opportunity here, as we give some incentives to these industries, both biodiesel and ethanol. There has been much opposition from many different sources and many different special agenda interests in North Dakota. We need to change that agenda.

SEN. RUSSELL THANE, DIST. 26, Testified in support of the bill. He stated he lives right in the middle of the soybean producing area. Soybeans are approximately half of their crop acres. He state they had approximately 1750 acres of soybeans, which produced 40 bushels per acre. It was a record crop. Finally, we were able to break away from subsidies. In the past, we relied on loan deficiency payments to bring our income from our soybean production, up to an acceptable level. Now we are selling at \$5.60 per bushel, which is outstanding. He referred to Terry Goerger, in his area, who burns up to twenty percent soybean oil in his pickup. He runs other percentages in his tractors. He is an enthusiastic supporter. I agree one hundred percent. We have been talking about this for the last twenty five to thirty years. We have never had a national policy that really got behind it. I think our new president, has some of the right ideas.

SEN. JOEL HEITKAMP, DIST. 26 Testified in support of the bill. If you take a good look at the bill, you see the number seven in there a number of times. He felt maybe they should be pushing even more aggressively, in regard to the fact that, North Dakota itself, raises and grows this product and it is really on the cutting edge of where we are asking our ag sector to go. This idea is reasonable. There are a number of safeguards in here. Referred to line 20, which had

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safeguards. He referred to the word "mandate", asked the committee not to be afraid of that word.

REP. FROELICH Why is there an exemption?

SEN. HEITKAMP I think because there were concerns whether the knowledge has gotten far enough to guaranty the warranty of certain engines. I think that concern will go away.

REP. WEILER Where is biodiesel produced?

SEN. HEITKAMP Quite frankly, when you do something like this, you hope that biodiesel will be produced right here in North Dakota. Right now, Minnesota is ahead of us. When you look at the bordering states, they have jumped ahead of us in terms of manufacturing.

REP. WEILER What kind of impact does biodiesel have on an engine?

SEN. HEITKAMP I believe from talking to Terry Goerger, and from the experience he has had from utilizing biodiesel, he doesn't have any negative impact. He is running all over the county with bumper stickers saying "powered by biodiesel." I know for a fact, from reading the paper now and then, he can go faster than the speed limit.

REP. KLEIN Why do we have to mandate it?

SEN. HEITKAMP As Rep. Gulleson brought up, there are additional costs. How do you get past that additional cost? Was there an additional cost when we went from regular fuel to unleaded fuel. We have to create a market for the product.

REP. JON NELSON, DIST. 7 Testified in support of the bill. He stated he agreed with the previous testifiers. He stated, the key is that this legislative session will set the table for where we go with biofuel development and use in this state. We have an opportunity to become leaders again in value-added agriculture. The largest industry in our state is a huge stakeholder in this.

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Every consumer buys gasoline, and diesel too. There are more benefits, then the problems that might arise. It benefits the environment and the people. That is how I rationalize a mandate.

It will send a strong message to an investor who wants to come into this state to build a plant.

He stated he did have an amendment he would submit later.

REP. GULLESON Introduced technical people to answer any questions.

REP. KELSH Asked how close we were coming to closing the gap on the bill versus it going to Minnesota?

REP. GULLESON Minnesota moved ahead on this ten years ago. I was hoping we could be the first in embracing our own. Richland and Cass County are the leaders in soybean production. We should have been first. This bill is modeled after Minnesota's bill. I added the extra provisions for the tax credits in upgrading facilities. Minnesota has a production plant in Mankato. There is high interest in a production plant in North Dakota. It is about the market. I think the time is so right on this.

REP. WEILER Has Minnesota mandated the use of this fuel?

REP. GULLESON Yes they have.

REP. WEILER Are there any other states that have?

REP. GULLESON No

REP. WEILER Have they begun producing yet, in Minnesota?

REP. GULLESON Yes, I believe it is the supplier for North Dakota's pipeline.

REP. GROSZ In one of the handouts you provided to us, it states that engine warranty coverage would be at risk, is a myth. The fact, states the use of biodiesel in existing diesel engines does

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not void parts and materials workmanship warranties of any engine manufacturer. In Sen. Heitkamp's testimony, he stated there are some warranties in question,

REP. GULLESON She thought he was talking about big engines, they are doing testing with caterpillar right now. She stated they have a couple of diesel pickups, and looking in the book before she bought it, it states that the engine is covered by biodiesel fuel.

REP. KLEIN If we pass this bill, how long will it take to get a plant built and up and running?

REP. GULLESON Actually what it says, it has to be in place, and the earliest it would be would be 2007. We don't start the two percent until 2007. If you remember, two years ago, the folks from ADM came in, and they are very supportive of this, they said they would be looking at plants in Enderlin. I think there is interest.

REP. SCHMIDT Two years ago, the engine companies would not guarantee their engines, you say now, they are still testing, and still don't know if they will guarantee their engines or not?

REP. GULLESON No, I am not saying that. Actually most all of the warranties are covered with biodiesel.

REP. SCHMIDT I believe in two years, they should have gotten these engines tested.

REP. GULLESON Actually all warranties are tested.

REP. BELTER Asked whether there were some benchmarks in the Minnesota mandate.

REP. GULLESON It is the same, they needed to have production to eight million gallons. They are a much bigger state, so we had ours a little lower level. It is also tied to the federal tax credit.

**RAY MARTINSON, SOYBEAN PRODUCER, MILNOR, ND, AND ALSO
REPRESENTING THE PRODUCERS OF THE NATIONAL BIODIESEL BOARD.**

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He stated the National Biodiesel Board values the fact that their efforts helped to enhance rural development opportunities, energy security and environmental stewardship. He talked about an opinion study funded by the United Serving Board, this last fall. They telephoned one thousand different individuals, nationwide, and sixty percent believe it is necessary to provide measures to increase the use of renewable fuels. He talked about the National Biodiesel Board hiring an individual who worked exclusively with engine companies to standardize their engine warranties. Every engine manufacturer wants to come up with a different engine, and we are working to try to standardize that. We talk about this mandate of 2007, we are already mandated by low sulfur fuel by 2006. When we get that, we will have to put something in the diesel fuel to lubricate to replace the lubricity that is taken out by low sulfur fuel. This is a natural fit. I have been using biodiesel on my farm for two years, we have been using a ten percent blend, we have had no problems whatsoever.

REP. IVERSON Do you have representatives of the National Biodiesel Board in every state in the nation?

RAY MARTINSON It started out with just ten states, and it is growing. The industry representatives have now surpassed the state representatives on the board. That is how much it has grown. There is a lot of interest in areas where pollution is a concern. They realize they have to do something on city buses, school buses, state fleets.

REP. KLEIN How high could you go on diesel?

RAY MARTINSON On the newer engines, I think you would be alright. On the older engines, you might have some problem. At twenty percent you would be all right.

