

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

COMMITTEE ON AGRICULTURE
April 10, 2006
LR 441

The Committee on Agriculture met at 9:00 a.m. on Monday, April 10, 2006, in Room 1524 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LR 441. Senators present: Bob Kremer, Chairperson; Phil Erdman, Vice Chairperson; Carroll Burling; Doug Cunningham; Deb Fischer; Don Preister; and Roger Wehrbein. Senators absent: None.

SENATOR KREMER: It's, I think, time to open the hearing on LR 441. We do have a time limit here because we start session at 10 o'clock. So, I think a few more will join us in a little bit. So my name is Bob Kremer. I'm the Chairman of the Ag Committee, and I will introduce the other members. At my far right is, left, I mean is (laugh) Deb Fischer from...

SENATOR FISCHER: I'm never on the left (laughter).

SENATOR KREMER: She's sitting on the left...

SENATOR FISCHER: There we go (laughter).

SENATOR KREMER: Deb Fischer and next to her is Senator Wehrbein from Plattsmouth, and Senator Erdman is the Vice Chair who will be conducting the hearing from Bayard. Rick Leonard is our research analyst and Don Preister from Omaha. And Nikki Trexel is our committee clerk. Who do we have?

SENATOR ERDMAN: Geoffrey.

SENATOR KREMER: Geoff, okay. Geoff Ruth is our page. So, we have just the one resolution that we've introduced, I will introduce now and I'll turn it over to our Vice Chairman, Senator Erdman.

SENATOR ERDMAN: Fantastic. Whenever you're ready, Mr. Chairman, you can open on LR 441.

LR 441

SENATOR KREMER: Well, LR 441 is a legislative resolution to recognize the potential for renewable energy, to stimulate

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 2

LR 441

rural economic development, environmental stewardship, and agriculture profitability and declaring the Legislature endorsement meeting 25 percent of the nation's energy needs and agriculture resources by the year of 2025. Heightened awareness in Nebraska's dependence on fossil fuel and imported energy has led the cause for more intense, dedicated policy to address energy security and other challenges associated with energy consumption. One such vision is "25 by '25". It's a project of the Energy Futures Coalition which envisions renewable fuels and other energy contributions derived from agriculture production, providing 25 percent of the energy by the year of 2025. The coalition tends to be leaders in advocating the investments in research and capital, and enhancement of policies that will advocate energy solutions including to stimulate the growth of the renewable energy sector. It is envisioned that in addition to improved energy security, the effort, if successful, will have other benefits including reviving rural economies, providing profitable opportunities for farmers as well as advancing environmental and social values. The Energy Futures Coalition defines itself as an independent, nonpartisan, initiative funded by private foundations to seek to bring about the changes in U.S. policy to address challenges relating to the production and the use of energy. The coalition is attempting to serve as an umbrella group whose members and alliances include agriculture, environmental, and other stakeholder groups as well as academic and industry and science leaders to develop a strategy, to realize energy goals, and to enlist the support of government, academic, and economic sectors to implement the strategy. Currently, the group is building relationships with individuals and organizations in each state and seeking to enhance a profile of the "25 by '25" project by seeking state Legislatures' endorsements in the "25 by '25" objectives. On a national level, and Jerry Vapp is on the steering committee, and he's here today to explain that a little bit. But they have about 75 endorsements already, and it's only one state so far has come on board with a resolution because that's just starting now. But it lists all the people that are on board and it's across the board. There's been a lot of efforts ongoing to provide energy, and a lot of that has been from the environmental standpoint. But I think agriculture decided this is a great opportunity to really take ownership of this. And the "25 by '25" is really an ag-working group, and environmental

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 3

LR 441

groups and others have come on board to really help that along. There's kind of three stages. The first stage is ongoing right now, is to get Congress, 50 percent of Congress, to sign on because a lot of this needs to be done on a national level. Second stage is to get at least 20 states to sign resolutions that they support. Colorado is the only one that's done it so far. Several other states are in the process as which we're doing right now to get on board with this. We had, at the Ag Chairmen's Conference in Tucson this year, a person from the national gave a presentation, and it was excellent. And there was just a lot of enthusiasm. Then we've just started working in Nebraska. We had one meeting to form a steering committee with that, and that's where we decided to go start with the resolution here and then to have more meetings and to bring everybody on board. It's kind of the process of finding out where we're at, looking at where the other opportunities are. There are many opportunities if you look at wind, biodiesel, ethanol, methane from our livestock which even cuts down on the odors which is a problem too so it can be really a win-win. Switchgrass is something, and we need research on a lot of these things. Switchgrass supposedly is more efficient in making ethanol than what corn is. But the logistics of how do you handle it is something different and other by-products. What do they do? Are they as profitable too, and what can they be used for? So, a lot needs to be done. I won't read through the whole resolution, just two different things. Whereas, American agriculture is well positioned to play an expanded role in development and implementation of new energy sources and appropriate technology innovation and incentives and investment. America's farmers and ranchers can become the factories that produce new generation of fuels to help meet the nation's energy needs. Whereas, "25 by '25" is an agriculturally-led initiative, that envisions America's farmers and ranchers producing 25 percent of America's energy demand by the year of 2025 while continuing to produce abundant, safe, and affordable food and fiber. And then the resolution then says, "Now therefore it be resolved by the members of the 99th Legislature of Nebraska, Second Session, that the Legislature supports the vision of "25 by '25" whereby agriculture will provide 25 percent of the total energy consumed in the United States by the year of 2025 while continuing to produce abundant, safe, and affordable food and fiber. And this will be sent to all of

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 4

LR 441

our congressional delegation from Nebraska as well as the majority and the minority leaders in Congress and show our support behind this. And I think we have several people following that are involved already in those that are supporting and the meeting that we had, I think it was a lot of enthusiasm and positive feedback. So, with that, I'd like to answer any questions you might have.

SENATOR ERDMAN: Thank you, Senator Kremer. Before questions, Senator Burling and Senator Cunningham have joined us as well. Any questions for Senator Kremer? Going to let you off easy, it looks like.

SENATOR KREMER: Okay.

SENATOR ERDMAN: First testifier in support of LR 441?

JERRY VAPP: Good morning, Mr. Chairman. My name is Jerry Vapp. I am a member of the Nebraska Public Service Commission, representing the Fifth District. As Senator Kremer said, I also am a member of the National '25 by '25 Steering Committee. And this group, as you said, is an offshoot of the Energy Future Coalition which believes that the United States needs to do something about the growing energy crisis that we have and that agriculture lands across this nation can produce 25 percent of our energy needs by the year 2025. Those products that we can produce from agriculture lands range from anywhere from biodiesel to ethanol to wind energy. Ethanol can be made out of anything from corn to any grain products, but it also can be made out of anything that contains cellulose. So, recently we went through the renewable energy lab at Golden, Colorado, and that day they were making ethanol out of cottonwood trees. And anything that has cellulose can be turned into ethanol. But we're also looking at promoting the methane digesters, anything that is a renewable source of energy that can come from agriculture lands across this nation is what we are sponsoring. The ultimate goal, of course, is to get Congress to adopt "25 by '25" as a national policy. And we're doing this, first of all, getting ag groups, commodity organizations, all types of environmental organizations to sponsor or sign onto the "25 by '25" concept. And, as Senator Kremer said, we've got well over 75 right now, and we are, here in Nebraska, Richard Hahn, former CEO of Farmers National and Bart Ruth, who is a soybean grower from

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 5

LR 441

Rising City and also, I believe, a National Soybean Growers officer, former officer, are on the steering committee with me. We want to make Nebraska the first state in the nation to have the Legislature, the Governor, and our congressional delegation sign onto "25 by '25". The Governor did last week. We hope to see the Legislature do it before Thursday (laugh), sign onto this as a concept they can support and I would leave it right there. If I can answer any questions, I'd be happy to. Encourage you to definitely vote for this.

SENATOR ERDMAN: Thank you, Mr. Vapp. Any questions for Jerry? Senator Preister.

SENATOR PREISTER: Yes, Mr. Vapp,...

JERRY VAPP: Yes.

SENATOR PREISTER: It's good to hear other people singing the song that I've been singing for years and I appreciate the interest. One of the areas that I haven't heard yet is net metering so that producers, farmers, and ranchers, if they produce their own energy, can sell it back to the local co-ops at a price that allows them to do that. Is that a concept that you're also looking into or is it just crop production?

JERRY VAPP: It isn't just crop production. It's any form of ag lands that can be used to produce energy on a renewable basis. And we haven't got down to that level of developing the support to where it would go to the net metering type situation. It's an idea that definitely ought to be put into place and made something that agriculture can do. Some places, I guess, it can be done, but it's not very widespread at this point in time.

SENATOR PREISTER: And that's why I think it's important that that be a part of the mix and as you're looking at a pretty broad spectrum of opportunities, that that along with the wind that we've talked about that can pay some better royalty payments than the crops that are frequently grown on some of those grounds can pay.

JERRY VAPP: Yeah, I agree.

SENATOR PREISTER: Thank you.

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 6

LR 441

SENATOR ERDMAN: Thank you, Senator Preister. Senator Wehrbein and then Senator Burling.

SENATOR WEHRBEIN: Thank you, Jerry. Do you see any financial commitment come from the states needed from the Legislature down the road?

JERRY VAPP: No, no. Only if they decide they're going to sponsor some projects of some type down the road. But what we're really...the "25 by '25" steering committee is not really even a formal organization. It's a group of people that strongly believe that we need to do something about our energy resources and that this is a good way to go about doing it. It will help rural America in the long run. It's not an immediate fix by any means, but it will have benefits to rural America. Probably we've got about every commodity group there is on board signed on. We're working on the cattlemen's (laugh) as we speak today. They're a very independent group of individuals as most of us know and that's great. I appreciate that. But we would like to have them sign on also. There's concerns about what this type of energy production would do to feed sources and things of this type. We believe that this can all be accomplished and it will still allow America to produce the abundant food and fiber that we do today without compromising that ability to produce.

SENATOR ERDMAN: Thank you, Senator Wehrbein. Senator Burling.

SENATOR BURLING: Thank you, Senator Erdman. Jerry, 25 percent of our energy needs today is different than 25 percent in '25.

JERRY VAPP: Absolutely.

SENATOR BURLING: So, assuming this is based on the projected needs of 2025.

JERRY VAPP: Yeah. We know there's going to be growth in the energy field. We need to be able to meet that growth and petroleum is not going to be necessarily the way to do. I've read this week where we could be looking at \$80 a barrel oil in the not too far distant future. So, if

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 7

LR 441

anything, we're playing catch-up here right now.

SENATOR BURLING: Yeah, I was wondering, you know, as our needs increase and we just keep working (laugh), will we ever get there? But I'm sure this is a very laudable goal, and is there any kind of conservation plan connected with this or are we just going to...

JERRY VAPP: That's all got to be part of the concept is that we include conservation as well as finding new ways to produce energy that are not dependent upon fossil fuels.

SENATOR BURLING: Okay.

SENATOR ERDMAN: Thank you, Senator Burling. Any further questions for Mr. Vapp? I see none. Thanks, Jerry.

JERRY VAPP: Thank you.

SENATOR ERDMAN: Next testifier in support of LR 441?

KEN CASSMAN: Thanks very much, Mr. Chairman. I'm Ken Cassman, professor of agronomy, the University of Nebraska.

SENATOR ERDMAN: Ken, can you spell your last name for us, please?

KEN CASSMAN: C-a-s-s-m-a-n.

SENATOR ERDMAN: Thank you.

KEN CASSMAN: And I'd like to testify also in strong support of the resolution because I think with the recent spike in energy prices which appears to be a permanent shift in the supply-demand balance globally for energy. What's happened is that we have an incredible opportunity for technology and science to catch up with reality. From the time of the last oil and energy crisis in the late seventies, early eighties, oil, as you know, went backwards in price, and at one time was selling \$15 to \$20 a barrel for many years. And what the response was, of course, was to essentially stop investment in new science and technology as an energy which is a typical market response. At the same time, with development occurring globally, it was just a matter of time before the demand began to outstrip supply once again. And

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 8

LR 441

we are there now and I think all of the expert opinion is that this is a permanent shift. So, that what's feasible when a barrel of oil is \$60 in terms of alternative technologies and energy science to propel that is a completely different landscape than it was just three years ago when oil was \$30 a barrel or less. And so the University of Nebraska is very excited about what it might be able to do as well in supporting an initiative that seeks to a rather lofty goal of 25 percent replacement. But, at the same time, if you don't say your goal is to get to the moon you won't get there. And so I think the university can play a pivotal role here because the previous speaker and Senator Kremer also noted, the challenges are immense. We have got to make sure that we maintain food supply. We've got to make sure that there's enough feedstock for livestock as well as renewable energy. We have to do it probably with less water, and we have to do it with careful attention to air quality, water quality, and protection of soil quality for future generations. Now that's a massive challenge but it can be done, and it takes forward looking vision and investment in those things for which, for instance, in Nebraska, we have a comparative advantage for. And among the emerging options, biofuel energy is clearly one that Nebraska has tremendous comparative advantages for as well as wind energy and recycling and energy conservation. And we're going to establish a center at the University of Nebraska called the Nebraska Center for Energy Sciences Research, and its purpose and goals are to conduct research that produces new technologies and processes to develop renewable energy sources, improve energy efficiency, and provide economic opportunities and improved quality of life for Nebraska and the nation. And this center is in the process of being approved. It's supported at the beginning with funding from the Nebraska Public Power District and that provides a foundation, but to do the job it will have to also seek additional funding. But I think we're on the verge of something that can help leverage our advantage in this arena and help support this critical initiative in significant replacement of imported oil with renewable resources in the country. Thank you very much.

SENATOR ERDMAN: Thank you, Mr. Cassman. Any questions for Ken? Senator Preister.

SENATOR PREISTER: I appreciate your comments on doing more

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 9

LR 441

with less water because I think that's certainly a topic of the times as it has been, both coal burning as well as nuclear energy require tremendous amounts of water to use for cooling. And they put them back into the streams at a much higher degree temperature which affects stream and aquatic life as well so I think that is an important component. How do you see the university playing a role with wind development which doesn't require really any water?

KEN CASSMAN: Well, I think the new center will...wind power is one of the objectives. And I am not an engineer or an expert in that area, but we do have research in progress in areas related to wind power. And there are issues of, I think, how you deploy windmills, where you would put them on a landscape to assure the greatest degree of stability and supply because you have...as you know, wind goes up and down, but I think there's tremendous signs to be done in climatology, meteorology, to look at the landscape and to say, you know, across the state, how would you deploy windmills to give you the greatest secure supply of energy from that source as well as issues of acceptance? Where wind energy has been promoted and attempted to expand, it starts running into some concerns about environment, wildlife, and just aesthetics. So I think there's a lot that can be done to...in the public sector in research policy to foster that industry. I can't tell you the specifics at this point.

SENATOR PREISTER: Thank you.

SENATOR ERDMAN: Thank you, Senator Preister. Senator Wehrbein.

SENATOR WEHRBEIN: Thank you. I just want to make a comment. This morning I heard on KFAB earlier this morning about, I think, it was a guy named Murray from Phillips 66, but he was emphasizing the point that it takes three gallons of gasoline, if I heard it right, to make four gallons of ethanol. And he was emphasizing the inefficiency of that. And I assume, I know it takes...I know the conversions and I know it would take...but it was interesting to me. He was making a really big deal in their questions about how inefficient ethanol production was. But I just wanted to get that out there. I don't know if you have any comment on

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 10

LR 441

that or not, but you may.

KEN CASSMAN: Well, I think it's interesting that, of the publications in the scientific literature that have the greatest notoriety in the popular press, are coming from universities like Berkeley, Cornell. And I think it's a commentary on where there has been some investment in supporting centers of excellence in, for instance, life cycle analysis of energy in an ethanol system. And so I think that one of the things the university needs to do here and perhaps elsewhere in the midwest is to have a much more active research portfolio so that when questions like this come up, there's a wealth of information here. And in conducting that research, it's amazing how they're spin-offs to education and outreach which is a role that the land grant university needs to play. So, I think as you see more of that coming on-line, you will see less of people that are using old data and promoting ideas that really have been debunked in the mainstream of the scientific literature.

SENATOR WEHRBEIN: Well, I'm really excited about what you're doing out there on that. I think that announcement is this Saturday, right?

KEN CASSMAN: I believe so, yes, yes.

SENATOR ERDMAN: Thank you, Senator Wehrbein. Thank you, Ken, for your testimony.

KEN CASSMAN: Thank you.

SENATOR ERDMAN: Next testifier in support LR 441?

ROB ROBERTSON: Good morning, Senator Erdman and members of the Ag Committee. My name is Rob Robertson, Vice President of Government Relations for the Nebraska Farm Bureau Federation. And I, too, want to join the previous testifiers in offering our support for LR 441. Nebraska Farm Bureau Federation took action two weeks ago to endorse this effort and American Farm Bureau at their annual meeting in January has also passed a resolution in support. I currently serve on our steering committee that Senator Kremer referenced earlier, and so as representatives from the Corn Growers and the Soybean Association, the Cattle Association, Pork Producers, and the Department of Ag and

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 11

LR 441

the university. And Senator Kremer volunteered to be the chairman. I don't know if he's figured out how to say no yet on things like this. But we do appreciate his leadership in that. I just wanted to offer, I guess, from agriculture's point of view, our support for this effort. It's a very great goal. We see a lot of potential for increased income off the land, adding value to our products, helping rural communities out there. It's a homegrown product and, you know, we support a lot of efforts over the years with federal farm policy to secure food. But I think we're moving in a new paradigm in the public policy realm of not only food security but fuel security. And so the easy part of this effort is probably uniting people behind it. The more difficult will be developing policies and strategies to try to reach that goal, but we'll be happy to work with the Legislature on those projects in the future. So, appreciate the time this morning.

SENATOR ERDMAN: Thank you, Mr. Robertson. Any questions for Rob? I see none. Thank you for your testimony.

ROB ROBERTSON: Thank you.

SENATOR ERDMAN: Next testifier in support? I think we have one more. Good morning, Ken.

KENNETH WINSTON: Good morning, Senator Erdman and members of the committee. My name is Kenneth Winston. Last name is spelled W-i-n-s-t-o-n. Glad to be here in support of LR 441, and it's always nice to be appearing in a situation where we're finding where the...I'm appearing on behalf of the Sierra Club, and it's nice to be here finding common ground with the agricultural organizations of the state. I have four points I wanted to make regarding renewable energy. The first one, I guess, I wanted to...I know there's been a lot of emphasis on the bio products, ethanol biodiesel, and we certainly support those. But I wanted to make a couple of points about wind and solar. Nebraska has great potential for wind and solar development. It's ranked sixth nationally for wind potential and ninth nationally for solar potential. And we believe that's an opportunity that needs to be investigated. Secondly, renewable energy provides opportunities for rural economic development. I was thinking about getting copies of the testimony of Dan Jewell (phonetic) before the Natural Resources Committee at

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 12

LR 441

a 2004 Interim Study by the Natural Resources Committee. If anyone is interested in that, he's a farmer from Minnesota and he talks about a wind farm that he's got and how much money he's making off it, and provides some descriptions of some benefits for farmers by using wind farms in which they own the wind farm themselves. And through financing, John Deere is one of the companies that's providing financing. I know the Farmers Union, in particular, is looking into that and working on developing wind power cooperatives with NPPD. And I know that there's actually an interim study in this area, LR 372, and I think there's three members of the committee that have signed onto that interim study, Senator Erdman, Senator Preister, and Senator Fischer. And so I want to commend those committee members for examining that, but I do think that's an area that needs to be followed up on, and I think it provides a lot of exciting possibilities for rural economic development, particularly in a time where there are lots of other things that are not working well in rural areas. Populations are declining and other opportunities are not working out in lots of ways. Also, as Senator Wehrbein indicated, we'd also like to encourage the increasing efficiency in the production of biomass and ethanol that we believe there's opportunities for making that production much more efficient so that the ratios are much better in terms of the amount of renewable fuel that is produced for the amount of inputs that are provided. And then finally, I'd like to encourage the idea that benefits should be kept in the state, in particular, in the local communities, in the communities where the energy is generated. And, once again, I want to cite an interim study in this particular area, LR 386, which was introduced by Senator Stuthman with a couple of other cointroducers. I believe Senator Preister is also involved with that. And that deals with the issue of net metering because net metering provides an opportunity to increase the benefits of renewable energy for small producers, and we'd like to encourage that. So, once again, like to encourage the support of LR 441 and would be glad to assist in any way possible. Thank you.

SENATOR ERDMAN: Mr. Winston. Any questions for Ken? I see none. Thank you for your testimony.

KENNETH WINSTON: Thank you.

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 13

LR 441

SENATOR ERDMAN: I see no other testifiers that haven't already testified. So we'll assume there are no opponents or neutral. And, Senator Kremer, you're recognized to close on LR 441.

SENATOR KREMER: Okay. Thank you very much and I sense a lot of excitement and a lot of opportunities. I think production agriculture, we've probably been guilty in the past of producing a commodity and then hoping we have a market for it and working for a market. And I think this is an area to come from the other area to see where there's a real need. As the energy prices are skyrocketing, it really becomes more feasible and more profitable to do a lot of things. And so, I'm excited about this. And you mentioned net metering. I know we visited the hog operation which is taking the methane digester and generating electricity. They are selling that back to the electric companies now but we'd probably need some legislation in that area. As far as efficiencies, we talked about it. I'm sure that this is a part there really needs to be a lot of attention. But in the ethanol production, I think we have seen real progress in the production of ethanol. And I think that maybe the corn breeders are even breeding corn now that has a higher yield of ethanol from the corn from that. So, I think there's a lot of progress in that area. So, with that, I'd ask your support and thank you for listening.

SENATOR ERDMAN: Thank you, Senator Kremer. Any questions? I see none, but before we close, Mr. Chairman, since this will probably be the last hearing we'll have in the Ag Committee since you and Senator Wehrbein and Senator Kremer are here, we'd like to thank you for your service and your leadership, specifically, but for all three of you, and...

SENATOR KREMER: Senator Cunningham. Did you mention him?

SENATOR ERDMAN: Yes, I think I did.

SENATOR CUNNINGHAM: You called me Kremer.

SENATOR ERDMAN: Did I? Doug, I'm so sorry.

SENATOR CUNNINGHAM: No, it's okay.

Transcript Prepared by the Clerk of the Legislature
Transcriber's Office

Committee on Agriculture
April 10, 2006
Page 14

LR 441

SENATOR ERDMAN: I'll give you a hug later. (Laugh) But the three of you have been leaders in not only the renewable fuels but also in the Legislature. And we appreciate your service and wish you well and know that you'll be missed.

SENATOR KREMER: Thank you.

SENATOR ERDMAN: And with that, that will close the hearing on LR 441.