USDA REAP Funding for Anaerobic Digester Projects

Carbon Offsets Workshop
Got Manure?/AgSTAR Conference
March 27, 2012
Rural Energy for America (REAP)

- Created in 2002 Farm Bill, renewed and expanded in 2008; funded through 2012

- Grants and/or loan guarantees for renewable energy installations and energy efficiency improvements to existing facilities or processes
REAP Funding Limits

- Grants: up to 25% of total project cost
  - Minimum $2,500; Maximum $500,000 for RE project
  - Minimum $1,500; Maximum $250,000 for EE project

- Loan guarantees: up to 75% of total project cost; statutory cap of $25 million
- Combos (loan and grant): up to 75% of total project cost
REAP Eligible Applicants

- **Agricultural Producers**
  - At least 50% of gross income from the ag business

- **Rural Small Businesses**
  - SBA Standards
  - Rural location – USDA website

- Non-profit organizations, public entities and residences are NOT eligible
REAP – Eligible Technologies

Renewable Energy

- Wind
- Solar - PV and Thermal
- Biomass - Bioenergy
- Anaerobic Digesters
- Geothermal
- Hydrogen
- Hydropower (< 30MW)

Energy Efficiency

- Energy Efficiency improvements identified by an energy audit or assessment
Eligible Costs

- **Post application** purchase and installation of materials and equipment: new, remanufactured, or refurbished
- Permit and license fees
- Professional service fees, e.g. engineering review
Ineligible Costs

- Used equipment – as is, where is
- Vehicles, ag tillage equipment
- R & D – first-of-kind equipment
- Costs incurred before application is submitted and accepted by RD as “substantially complete”
- Application preparation
Matching Funds

- Critical to show that balance of project funding is in place
- Can be cash, line of credit, loan, grant funds, in any combination
- Non-Federal grant funds (e.g., NYSERDA) acceptable
- Tax credits not usable; not available for construction financing
Separate component of REAP

- Funds 25% of cost of business-level renewable energy feasibility studies
- Other Federal or State funds not eligible as match
- Maximum grant request $50,000
Application Contents

- Several standard forms, certifications
- Environmental information to meet NEPA requirements
- Application describing project, applicant, demonstration of eligibility
- Technical report
- Feasibility study for all projects >$200,000
REAP Loan Guarantees

- Intended to encourage private lenders to make loans to purchasers of RE/EE systems
- Lender, not borrower, applies for guarantee
- RD charges one-time fee of 1% of guaranteed portion of loan, annual renewal fee of ¼% of principal balance
- U.S. Government guarantees percentage of loans on a stepped scale from 85% to 60%
- Statutory cap of $25MM
REAP Loan Guarantees

- Required elements:
  - Business-level feasibility study prepared by qualified independent consultant
  - Historical and pro forma financial statements
  - Lender’s credit analysis
  - Full discounted collateral coverage
  - Minimum borrower equity, generally 25%
- Interest rates set by borrower and lender; RD does not dictate
2012 REAP Funding Process

- $25.4MM program allocation
  - Approximately $12.5MM grant funds
  - Balance buys $48.5MM in loan guarantees
- Each state RD office receives allocations for grants, loan guarantees
- Washington DC office retains some reserve funds, pools unused state funds for funding round after states are finished scoring projects and awarding funds
Total number funded 2003-2011: 166
Grant Funds: $52.55MM
Loan guarantee funds 2006-2011: $43MM
Leveraging: $295MM
REAP Anaerobic Digester Investments, 2003-11

- Grant Amount
- Loan Amount

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Applying for Funds

- It’s a process.
  - Several forms to be filled out
  - Main body of application
  - Technical report
  - Supporting documentation
- Have your project well-developed, with a reasonably accurate budget and financing in place if possible. Most applicants receive some assistance from system vendors
Questions? Contact Info

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- For a state-by-state list of Rural Development Energy Coordinators: