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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 2527**

May 19, 2007

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The bill was read for the first time and referred to the Committee on Finance

February 14, 2008

By motion, recalled and re-referred to the Committee on Environment and Natural Resources

A bill for an act

relating to pollution control; establishing a low-carbon fuel standard to reduce the carbon intensity of transportation fuels in Minnesota by 2020; aligning statutory references to low-carbon energy; requiring rulemaking; appropriating money; amending Minnesota Statutes 2006, section 216B.241, subdivision 6, as amended; proposing coding for new law in Minnesota Statutes, chapter 116.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

**Section 1. [116.741] LOW-CARBON FUEL STANDARD.**

Subdivision 1. **Statewide goal.** It is a goal of the state that by 2020, the carbon intensity of transportation fuels offered for sale in Minnesota shall be reduced by at least ten percent.

Subd. 2. **Definitions.** (a) For the purposes of this section, the following terms have the meanings given.

(b) "Commissioner" means the commissioner of the Pollution Control Agency.

(c) "Carbon intensity" means the quantity of carbon dioxide emitted, as measured on a full fuel cycle basis, per BTU of energy provided by a transportation fuel.

(d) "Full fuel cycle basis" means all energy inputs and emissions related to the entire life-cycle of a transportation fuel, including the production and extraction of the feedstock or other primary energy source, and the processing, transportation, storage, distribution, and combustion or other chemical conversion of the fuel.

Subd. 3. **Applicability; measurement.** The low-carbon fuel standard in subdivision 1 applies to any person producing, refining, blending, or importing transportation fuels in Minnesota. Progress in reaching the carbon intensity reduction shall be measured on a full fuel cycle basis.

2.1            Subd. 4. **Coordination; compliance schedule; rules.** By January 1, 2008, the  
2.2 commissioner, in consultation with the commissioner of commerce and the University of  
2.3 Minnesota, shall develop a compliance schedule for achieving the goal in subdivision 1.  
2.4 In formulating the schedule, the commissioner must evaluate and select the most effective  
2.5 and cost-efficient methods for achieving the goal in subdivision 1. Possible methods must  
2.6 include, but need not be limited to: research and outreach efforts designed to lower the  
2.7 carbon intensity, on a full fuel cycle basis, of existing transportation fuels; mandates;  
2.8 market-based cap and trade systems; carbon taxation; the imposition of fines and other  
2.9 penalties; and financial or other incentives to reduce the carbon intensity of existing  
2.10 transportation fuels or facilitate the development and market adoption of additional,  
2.11 low-carbon transportation fuels. After January 1, 2008, the commissioner shall adopt rules  
2.12 necessary to implement the compliance schedule.

2.13            Subd. 5. **Annual reports.** Biannually until 2020, the commissioner shall report on  
2.14 the progress in achieving the goal in subdivision 1 to the house and senate committees  
2.15 with jurisdiction over environment and energy policy.

2.16            Sec. 2. Minnesota Statutes 2006, section 216B.241, subdivision 6, as amended by  
2.17 Laws 2007, chapter 57, article 2, section 21, is amended to read:

2.18            **Subd. 6. Renewable energy research.** (a) A public utility that owns a nuclear  
2.19 generation facility in the state shall spend five percent of the total amount that utility  
2.20 is required to spend under this section to support basic and applied research and  
2.21 demonstration activities at the University of Minnesota Initiative for Renewable Energy  
2.22 and the Environment for the development of renewable energy sources and technologies.  
2.23 The utility shall transfer the required amount to the University of Minnesota on or before  
2.24 July 1 of each year and that annual amount shall be deducted from the amount of money the  
2.25 utility is required to spend under this section. The University of Minnesota shall transfer  
2.26 at least ten percent of these funds to at least one rural campus or experiment station.

2.27            (b) Activities funded under this subdivision may include, but are not limited to:

2.28            (1) environmentally sound production of energy from a renewable energy source  
2.29 including biomass;

2.30            (2) environmentally sound production of hydrogen from biomass and any other  
2.31 renewable energy source for energy storage and energy utilization;

2.32            (3) development of energy conservation and efficient energy utilization technologies;

2.33            (4) energy storage technologies; and

2.34            (5) analysis of policy options to facilitate adoption of technologies that use or  
2.35 produce low-carbon renewable energy.

3.1 (c) Notwithstanding other law to the contrary, the utility may, but is not required to,  
3.2 spend more than two percent of its gross operating revenues from service provided in this  
3.3 state under this section or section 216B.2411.

3.4 (d) For the purposes of this subdivision:

3.5 (1) "renewable energy source: means hydro, wind, solar, biomass and geothermal  
3.6 energy, and microorganisms used as an energy source; ~~and~~

3.7 (2) "biomass" means plant and animal material, agricultural and forest residues,  
3.8 mixed municipal solid waste, and sludge from wastewater treatment; and

3.9 (3) "low-carbon renewable energy" means energy derived from a renewable  
3.10 energy source that, when substituted for fuel derived from fossil fuels or other more  
3.11 carbon-intensive sources, contributes to achievement of the statewide low-carbon fuel  
3.12 standard in section 116.741.

3.13 (e) This subdivision expires June 30, 2010.

3.14 Sec. 3. **APPROPRIATION.**

3.15 \$..... is appropriated from the general fund to the commissioner of the Pollution  
3.16 Control Agency for the biennium ending June 30, 2009, for the purposes of section 1.