

Fuel Fight

A biofuels bill seems likely to pass, but not as drafted.

As of July 13, the Oregon Legislature seems poised to pass its first and only major environmental legislation this session. The biofuels bill, HB 3481, provides incentives for the in-state production of biodiesel and ethanol, but the House version contains an amendment that Democrats view as unnecessary corporate welfare.

The original bill creates tax incentives for biofuel-producing facilities (such as Eugene's SeQuential), farms producing raw biomass for fuel, and research and development related to biofuel production. It encourages the use of bus tailpipe emission reduction devices and designates funds to reduce exhaust from school buses. Finally, it creates a fuel tax incentive for consumers using biofuels and prohibits the sale of gasoline containing certain toxic additives.

Despite the focus on biofuels, the House and Senate versions of the bill differ dramatically. The House version drops a renewable fuels standard, a mandate to use biodiesel for the state fleet and funding for school bus retrofits from the original bill while adding an expansion of the pollution control tax credit. The Senate version reverses those changes and adds an amendment to require new public buildings to dedicate 1 percent of their costs to solar technologies.

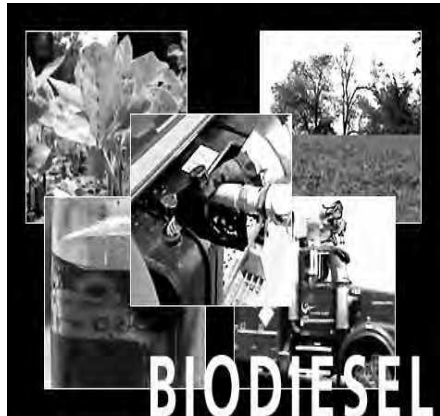
The House version's expansion of the pollution control tax credit, which Democrats view as a corporate handout, effectively flipped the partisan positions on the bill, gaining the favor of House Republicans while losing the support of Democrats. Eugene Democratic Reps. Paul Holvey and Phil Barnhart voted against the bill, while Lane County Republican Reps. Debi Farr, Alan Brown and Bruce Hanna voted for it.

The pollution control tax credit was established in the late 1960s to provide tax relief for companies complying with the Clean Air Act and the Clean Water Act. For more than 30 years, the government offered a 50 percent tax credit on pollution control technology that helped industries comply with federal pollution laws. When the credit phased out in 2001, Oregon legislators replaced it with a 30 percent tax credit for companies that invest in pollution control technology that goes "above and beyond" the federal requirements.

The House version of the biofuels bill rolls back the 2001 pollution control tax credit and replaces it with the 1960s credit, which gives polluting companies a bigger tax break.

"Continuing to pay companies to obey the law doesn't seem to us to make much sense," says Oregon Environmental Council (OEC) spokesman Matt Blevins, who helped draft the original biofuels bill. "[The tax credit expansion] is a huge corporate giveaway."

Reps. Barnhart and Holvey voted against the bill to show their opposition to the tax credit, which they view as a loophole that gives millions of dollars to big businesses to follow mandatory environmental regulations.



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The Senate version of the bill is more palatable to Democrats, removing the pollution tax credit expansion and strengthening the biofuels component.

If HB 3481 passes through the Senate on July 14 as expected, the next step will be reconciling the two versions of the bill. Unless the House concurs with the Senate version, legislators will attempt to work out the kinks in a conference committee. Kulongoski has expressed his eagerness to sign the bill into law.

The shift toward biofuels would be one step toward improved auto emissions standards in Oregon. Washington recently joined California in mandating stricter-than-federal auto emission standards, and environmental nonprofits are pressuring Oregon to follow suit. If the state does so, the stricter emission standards will apply to the entire West Coast.

Diesel exhaust is linked to lung cancer, respiratory illnesses and asthma, and standard gasoline is the nation's #1 source of carbon dioxide emissions. Biofuels such as biodiesel (made from vegetable oils) and ethanol (a corn-based alcohol) can help cut down the consumption of petroleum-based fuels that contribute to global warming and smog.

The biofuels bill may prepare Oregon to follow in the steps of Minnesota, whose 14 bio-refineries produce 10 percent of the state's transportation fuel. OEC reports that Minnesota's renewable fuels industry earns the state \$500 million annually.

"In classical Oregon tradition," Blevins says, "the biofuels bill is both good for the environment and good for the economy."

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