

**RENEWABLE ENERGY AND RURAL DEVELOPMENT:  
LOGISTICAL ISSUES**

**Thomas C. Dorr, Under Secretary  
Oral Statement before the Senate Finance Committee**

**Dubuque, Iowa Field Hearing  
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Senator Grassley, it is a distinct pleasure for me to appear today to discuss some of the logistical issues related to the build out of renewable energy. I commend the Senate Finance Committee for its interest in this topic, and I would like especially to thank the Dubuque Regional Airport for facilitating this discussion. As an Iowan, I would like to thank you for your support.

Renewable energy is an extraordinary opportunity -- both for the nation as a whole and especially for rural America, because renewable energy is largely rural energy. People in Iowa and other corn belt states are aware of what's happening in ethanol, but the broader picture is frankly one of the big underreported stories of this decade. Since 2000:

- Installed wind capacity in the United States has quadrupled. We led the world in new capacity in both 2005 and 2006 and are on track to do so again this year.
- Ethanol production has tripled and capacity will double again in the next two years.

- Biodiesel production has risen from 2 million gallons in 2000 to a projected 379 million gallons this year rising to 680 million gallons in 2010-2011.
- Cellulosic ethanol is moving from the labs into production and is a major priority for the President in the 20 in 10 Initiative and the 2007 Farm Bill.
- Even solar power, which is still relatively expensive, is increasingly competitive for off-grid applications and the market is growing rapidly.

No matter how you view it, this is dramatic progress, and huge rural opportunity, but still we have just begun. Renewable energy is building out from a very low base. As these growth curves are sustained, logistical considerations will become increasingly important. We are building out not one but several new industries in rural America and we will have to build the infrastructure to support them.

For distributed power generation, we will have to expand the grid and develop transmission corridors to move large scale rural wind power to urban markets. For biofuels, we will need to develop a new gathering, storage, and distribution system that moves geographically dispersed fuels from the heartland to the coasts – essentially a reversal of the existing, largely import-oriented petrochemical stream.

The change will likely be qualitative as well as quantitative. The President's target of a 35 billion gallon Alternative Fuels Standard envisions a roughly seven-fold increase over current production levels. Ethanol and biodiesel moves today by rail, truck, and barge. These industries will have to develop increased capacity to handle the buildout of biofuels. In addition, as the industry grows and as technical obstacles are overcome, pipelines will likely assume a larger role. These developments will impose challenges all around – on federal, state, and local authorities as well as private companies.

I hasten to add that these challenges are business opportunities as well. USDA Rural Development is an investment bank for rural America. We have a portfolio of more than \$97 billion invested in rural housing, infrastructure, community facilities, business, and energy development. Renewable energy is a high priority and a growing part of our portfolio. We are in discussion with the rural electric utilities about the need to modernize the grid. From Fiscal Year 2001 through 2006, we have invested more than \$480 million in more than 1,100 renewable energy and energy efficiency projects ranging from biofuels and biomass to wind and solar to geothermal and methane gas recovery. With regard to logistics, while Rural Development does not finance highways, our Community Facilities programs are prepared to assist public authorities with key transportation investments such as rail spurs and airport improvements.

In closing, we recognize that renewable energy has become a major driver of the rural economy. Indeed, it may be the greatest new opportunity for investment, jobs, and wealth creation in rural America in our lifetimes. We are committed – as I know you are as well

-- to supporting rural communities, businesses, and entrepreneurs in seizing the opportunity, and we look forward to working with you and your colleagues in that effort.

Thank you.