

**SENATE  
STATE OF MINNESOTA  
NINETY-SECOND SESSION**

**S.F. No. 1163**

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**DATE**  
02/18/2021

**D-PG**

Introduction and first reading  
Referred to Energy and Utilities Finance and Policy

**OFFICIAL STATUS**

1.1 A bill for an act  
1.2 relating to energy; establishing a program to provide financial incentives for the  
1.3 production of wood pellets; appropriating money; proposing coding for new law  
1.4 in Minnesota Statutes, chapter 216B.

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

1.6 Section 1. [216B.2427] WOOD PELLET PRODUCTION INCENTIVE.

1.7 Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have  
1.8 the meanings given.

1.9 (b) "Forest residue" means unused portions of harvested trees and materials from diseased,  
1.10 distressed, or burned trees that are processed into chips or sawdust in the field near the  
1.11 forested area from which the tree or tree material is supplied.

1.12 (c) "Residual materials" means forest and wood mill residue.

1.13 (d) "Wood mill residue" means wood residue generated at a manufacturing plant that  
1.14 processes harvested trees into products, including but not limited to lumber and sheathing,  
1.15 that are suitable for processing into chips or sawdust.

1.16 (e) "Wood pellets" means a pellet manufactured from forest and wood mill residuals  
1.17 that is burned to produce heat or electricity.

1.18 Subd. 2. Eligible facility. (a) To be eligible for payments under this section, a facility  
1.19 must:

1.20 (1) be located in Minnesota;

2.1 (2) dry and process residual materials from Minnesota forests and sawmills into wood  
2.2 pellets;

2.3 (3) begin construction no later than December 31, 2022;

2.4 (4) produce at least 50,000 metric tons of wood pellets annually; and

2.5 (5) certify that all contractors and subcontractors pay employees constructing the facility  
2.6 no less than the prevailing wage rate, as defined in section 177.42.

2.7 (b) An eligible facility is prohibited from transferring eligibility for payments under this  
2.8 section to a facility at a different location.

2.9 (c) An eligible facility that ceases production for any reason is prohibited from receiving  
2.10 payments under this section until the eligible facility resumes production.

2.11 (d) Payments under this section may be made to no more than two eligible facilities.  
2.12 Payments must be made to eligible facilities on a first-come, first-served basis.

2.13 Subd. 3. **Forest residue; requirements.** (a) Forest residue harvested from land parcels  
2.14 larger than 160 acres must be certified by the Forest Stewardship Council, Sustainable  
2.15 Forestry Initiative, or American Tree Farm System as being harvested from sustainably  
2.16 managed forests.

2.17 (b) Forest residue not certified under paragraph (a) must be harvested under a forest  
2.18 stewardship plan by a logger certified as a qualified logging professional by the Minnesota  
2.19 logger education program, or an equivalent certification by an independent third-party  
2.20 organization that teaches sustainable harvesting practices to loggers.

2.21 Subd. 4. **Payment; process.** (a) The commissioner must make payments under this  
2.22 section to an eligible facility as provided in this subdivision.

2.23 (b) By the last day of January, April, July, and October, each eligible facility must file  
2.24 a claim for payment for wood pellets produced by the eligible facility during the preceding  
2.25 three calendar months. The claim must be filed with the commissioner on a form developed  
2.26 by the commissioner.

2.27 (c) A claim submitted under this section must include documentation and verification  
2.28 by an independent third party that, with respect to an eligible facility's claim filed under  
2.29 this subdivision:

2.30 (1) the conditions of subdivision 3 have been met; and

2.31 (2) the amount of wood pellets, expressed in metric tons, that the eligible facility claims  
2.32 to have produced during the quarter is accurate.

3.1 (d) No later than February 15, May 15, August 15, and November 15, the commissioner  
3.2 must issue payments under this section for the applicable quarter to an eligible facility that  
3.3 filed a quarterly claim approved by the commissioner.

3.4 Subd. 5. **Payment amount; limitation.** (a) The commissioner must pay an eligible  
3.5 facility \$25 per metric ton of wood pellets produced, subject to the limitations provided  
3.6 under this subdivision.

3.7 (b) An eligible facility must not be paid more than \$3,750,000 in a calendar year under  
3.8 this section, irrespective of the number of metric tons of wood pellets produced in a calendar  
3.9 year.

3.10 (c) An eligible facility may receive payments under this section for no more than ten  
3.11 years.

3.12 (d) A payment must not be made under this section after June 30, 2033.

3.13 **Sec. 2. APPROPRIATIONS.**

3.14 Notwithstanding Minnesota Statutes, section 116C.779, subdivision 1, paragraph (j),  
3.15 \$3,750,000 in fiscal year 2022 and \$3,750,000 in fiscal year 2023 are appropriated from  
3.16 the renewable development account established in Minnesota Statutes, section 116C.779,  
3.17 subdivision 1, to the commissioner of commerce to pay wood pellet manufacturing incentives  
3.18 under Minnesota Statutes, section 216B.2427. The base for the program is \$3,750,000 in  
3.19 fiscal years 2024 through 2032. The base in fiscal year 2033 is \$0. Unspent funds at the end  
3.20 of a fiscal year do not cancel to the renewable development account but remain available  
3.21 to be expended.

3.22 **EFFECTIVE DATE.** This section is effective the day following final enactment.