



Insight

Energy Sector Provisions in the HEROES Act

EWELINA CZAPLA | MAY 14, 2020

Executive Summary

- House Democrats' Health and Economic Recovery Omnibus Solutions (HEROES) Act, like coronavirus relief legislation before it, contains only minor provisions related to the energy sector.
- The bill aims to ensure utility services remain available throughout the public health crisis and would help those customers in need to make payments.
- The bill would provide aid to ethanol producers who produce a component of gasoline that is in low demand.

Introduction

On May 12, 2020, Democrats in the House of Representatives released the text of the Health and Economic Recovery Omnibus Solutions (HEROES) Act. The Act lays out House Democrats' priorities for the next coronavirus-response package. Much like the coronavirus relief legislation before it, the HEROES Act makes little mention of the energy sector.

While various industries within the energy sector have voiced their concerns about insolvency, the ability to complete infrastructure projects, and the impact of their financial struggles on local and regional economies, these concerns are not addressed in the HEROES Act. The bill focuses on preventing utilities from terminating service to customers who are unable to pay and providing additional funds for corn farmers who supply ethanol production.

Utilities

The HEROES Act requires that states and utilities receiving federal funds adopt or maintain policies that prevent the termination of service during the ongoing public health emergency. Foreseeing the financial difficulties customers would face, many utilities have already announced that they would halt service terminations and provide alternative payment options for those who are unable to make payments.

The Act provides funds for both homeowners and renters who are unable to make utility payments, as well as mortgage or rent payments. The bill establishes a Homeowner Assistance Fund and expands upon existing emergency rental assistance, providing \$75 billion and \$100 billion respectively. Under these programs, individuals in financial hardship may receive funds to pay for electric, gas, water, and internet service. The bill's provisions are focused on aiding consumers rather than supporting utilities directly.

Ethanol

Title III of the HEROES Act addresses specialty crops and other commodities and establishes the Renewable Fuel Reimbursement Program. The program provides \$0.45 for each gallon of qualified fuel produced between January

1 and May 1, 2020, or, for those producers unable to produce any quantities in the allotted time period, 50 percent of \$0.45 per gallon for the corresponding months in 2019. Qualified fuels include renewable fuel or advanced biofuel, which largely consist of ethanol produced from corn starch and other biological sources of sugar or starch.

Ethanol is a component of gasoline under the Renewable Fuel Standard and its producers, like those in the petroleum industry, are experiencing dramatic declines in demand. Facilities throughout the liquid-fuels supply chain in the United States have idled operations or reduced them dramatically. Ethanol producers, in particular, have idled about 70 plants and reduced production at 80 others.¹ While refiners have faced similar issues, the HEROES Act does not address them.

Conclusion

With a \$3 trillion price tag, the HEROES Act is a comprehensive view into the priorities of House Democrats. Passage in its current form is unlikely, and so far, the bill falls short of addressing real issues facing energy producers negatively impacted by the pandemic and resulting policy response.