Respectfully submitted to the Montana Environmental Quality Council, pursuant to House Joint Resolution No. 1, introduced by Representative French, and passed by Montana's 2009 legislature.

Montana's Woody Biomass Working Group represents a broad spectrum of interests, including: environmental organizations, academicians and research professionals, state and federal resource management specialists, private forest landowners, economic development organizations, tribal forestry, wood products manufacturers, and forest practitioners. A list of participating members is attached.

The Montana Woody Biomass Working Group respectfully submits the following for consideration by Montana's Environmental Quality Council:

1. We collectively support the development of woody biomass energy in Montana under the following conditions:
    a. Biomass energy plants should be developed at scales that reflect the sustainable resource base within a reasonable haul distance from each plant.
    b. Removal of biomass for energy is a product of sound and sustainable forest management that applies Montana's Forestry Best Management Practices (BMPs) and other voluntary forestry practices guidance issued by the state of Montana, including *Voluntary Wildlife Guidelines for Streamside Management Zones,* published by DNRC in 1995. BMPs evolve as new scientific information and new forest practices emerge. Additional tools may be developed to assist forest management decision-making with respect to potential differential effects of biomass harvest versus commercial timber harvest.
    c. Efficiency of energy recovery is an important consideration in energy development. Technologies such as combined heat and power, which make valuable use of more than one output from biomass, typically improve energy recovery substantially. Plants sited at lumber mills often have additional advantages, including readily available feedstock from wood processing waste, reduced cost and transportation of feedstock, reduced overall fuel risk, an on-site full time industrial-scale heat load, and a fully developed utility infrastructure.
2. We agree that woody biomass energy development that follows these principles is a locally produced, renewable and firm energy source.
3. We agree that the biggest barriers to developing woody biomass energy in Montana are social and economic. One immediate challenge is the relatively high cost of producing electricity with

biomass, in comparison to our existing sources of electricity. We also agree that the citizens and the state of Montana will retain and acquire many secondary benefits from sustainable woody biomass energy development that have value over and above the factors that are typically considered in rate-setting. These additional benefits justify the enactment of incentives for sustainable biomass energy development by policy-makers. These benefits include (but are not limited to):

a. Diversified revenue for forest products manufacturers, loggers and forest restoration practitioners that will help stabilize the industry, maintain jobs, and retain the local skills, equipment, and capacity needed to cost-effectively manage forest conditions.
b. Maintaining revenue to the state of Montana associated with jobs, taxes, and economic activity in the forest products industry.
c. Reduced cost of forest management and retention of working forests.
d. Reduced risk of escape and emissions from slash burning.
e. Capturing energy that would otherwise be wasted.
f. Reduced greenhouse gas emissions by offsetting fossil fuel burning with renewable biomass, while recovering energy from biomass disposal.

4. We suggest the following incentives for your consideration:
    a. Reduce the up-front capital cost and/or operating cost of biomass energy development through:
        i. Zero or low interest state loans,
        ii. Grants,
        iii. Tax incentives that reduce the cost of biomass energy plant operation,
        iv. Reduce the risk and improve access to low cost capital by requiring utilities to enter long term power purchase agreements with biomass energy producers, and/or
        v. Reduce the risk and improve access to low cost capital by encouraging fiber supply opportunities through consistent agency programs.
        vi. Provide production tax credit parity.
        vii. Tie any incentives to installed capacity thresholds to limit their overall cost and ensure that the growth of biomass energy development remains sustainable.
    b. Increase the effectiveness of Montana's Renewable Portfolio Standard by:

i. Requiring a specified portion of that standard to be met by base load/firming resources that are selected through a competitive process, such as a biomass-only Request For Proposals,

ii. Provide an equivalent "green tag" value for the thermal energy portion of combined heat & power projects, and/or

iii. Provide credit in renewable contracts for firm power, local reliability, and locational benefits (i.e., benefits associated with having smaller, dispersed plants where the transmission system is weak, unreliable, or has voltage problems).

c. Provide access to outside markets where Montana biomass power can better compete, by:

i. Increasing transmission capacity with reasonable wheeling rates so Montana's green power can be sold to west-coast markets. Locations of new transmission capacity should conform to current land use designations and should avoid adverse impacts to exceptional natural values.

d. Continue support and promotion of smaller-scale thermal and power generation with woody biomass for residences, public buildings, and district systems.

5. We believe the benefits to the state outlined in item 3, above, will result in economic activity and income to the state that will more than offset the costs of well structured incentives for sustainable biomass energy development.

6. We suggest that the EQC consult with forest practitioners regarding possible approaches to making biomass removal a more attractive method of slash disposal than open burning, where removal is feasible and markets exist.

## Montana Woody Biomass Working Group Participants

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| David Atkins | USFS, Northern & Intermountain Regions, State & Private Forestry |
| Rich Lane | Missoula Area Economic Development Corporation |
| Craig Rawlings | Montana Community Development Corporation |
| Jason Todhunter | Montana Logging Association |
| Robert Ethridge | MT DNRC Forestry Assistance Bureau |
| Brian Spangler | MT DEQ Energy and Pollution Prevention Bureau |
| Howard Haines | MT DEQ Energy and Pollution Prevention Bureau |
| Julie Kies | MT DNRC Biomass Utilization Program |
| Julia Altemus | MT DNRC Forestry Division – Forest Policy |
| Todd Morgan | UM Bureau of Business and Economic Research |
| Joe Kerkvliet | The Wilderness Society, Northern Rockies Regional Office |
| Martin Twer | MSU Extension Forestry |
| Shawn Thomas | MT DNRC Trust Land Management |
| Angela Farr | MT DNRC Biomass Utilization Program & USFS, Northern & Intermountain Regions |
| Roger Ziesak | MT DNRC Forestry Assistance, Forest Practices |
| Len Broberg | UM Environmental Studies Program Director |
| Kevin Furey | MT DOC Energy Conservation and Development Division |
| John Thompson | Bureau of Land Management |
| Jim Durgalo | Confederated Salish and Kootenai Tribal Forestry |
| Chuck Roady | Montana Wood Products Association |
| Ellen Simpson | Montana Wood Products Association |
| Peter Kolb | UM College of Forestry and Conservation and MSU Extension Forestry |
| Elizabeth Dodson | UM College of Forestry and Conservation |
| Jeff Schmalenberg | DNRC Trust Land Management – Soils Scientist |