

WOODY BIOMASS ENERGY FEDERAL ISSUES & LEGISLATION

**ENVIRONMENTAL QUALITY COUNCIL
SEPTEMBER 10-11, 2009**

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Biomass Utilization

EQC
SEPTEMBER 10, 2009
EXHIBIT 24

TWO INTEREST AREAS

- Whether and how forest management & or waste is considered in climate change policy
 - Renewable Energy & Fuels Definitions
- Federal incentives & their impacts
 - Biomass Crop Assistance Program
 - Thermal energy standard
 - On-site electrical production
 - PTC parity

FEDERAL FOREST POLICY AND STATE OPPORTUNITIES

Renewable Energy Standard (RES)

- S 536 Senator Wyden to amend the Clean Air Act to modify the definition of the term 'renewable biomass';
- S 523 Senator Tester to amend the Energy Policy Act of 2005 to establish pilot project offices to improve federal permit coordination for renewable energy;
- S 636 Senator Tester to amend the Clean Air Act to conform the definition of renewable biomass to the definition given the term in the 2002 Farm Bill;
- S 1462 Senator Bingaman 'American Clean Energy Leadership Act of 2009';
- HR 1111 Congressman Rehberg to promote as a renewable energy source the use of biomass removed from forest lands in connection with hazardous fuel reduction projects on certain federal lands;
- HR 1190 Congressman Herseth-Sandlin to promote the use of certain materials harvested from public lands in the production of renewable fuel; and
- HR 2454 Waxman-Markey 'American Clean Energy & Security Act of 2009'

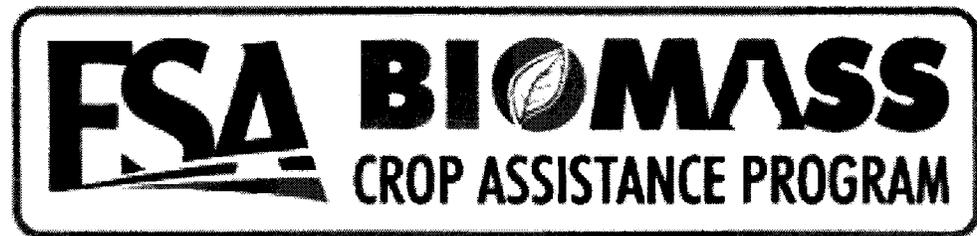


BIOMASS CROP ASSISTANCE PROGRAM

- 2008 Farm Bill – FSA/CCC
 - Support the establishment and production of certain crops for conversion to bio-energy in project areas
 - Assist with collection, harvest, storage, and transportation of eligible material for use in a biomass conversion facility
- Draft EIS – **comment due Sept 24th**

BIOMASS CROP ASSISTANCE PROGRAM

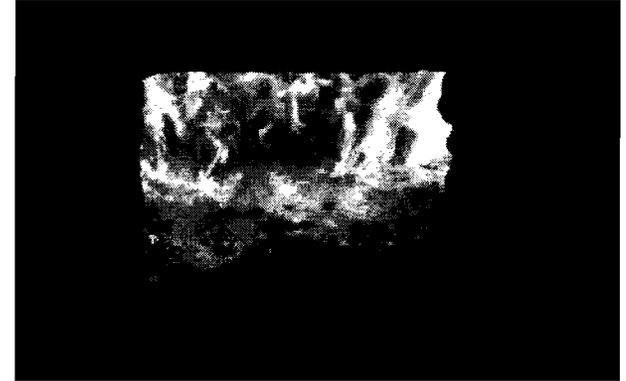
- Cash incentives via CCC for biomass collection, harvest, storage, and transportation
- \$1 per \$1 up to \$45/dry ton for up to 2 years
- Qualified Conversion Facilities – NY, CA, MO, FL, AL, WI



BIOMASS CROP ASSISTANCE PROGRAM

- Includes mill residues used for heat, energy, biofuels.
- Skews values causing concern for current residue users.
- Appears to allow a facility to be both a supplier and a qualified conversion facility.
- Likely not to result in long term increases in biomass utilization or renewable energy production.

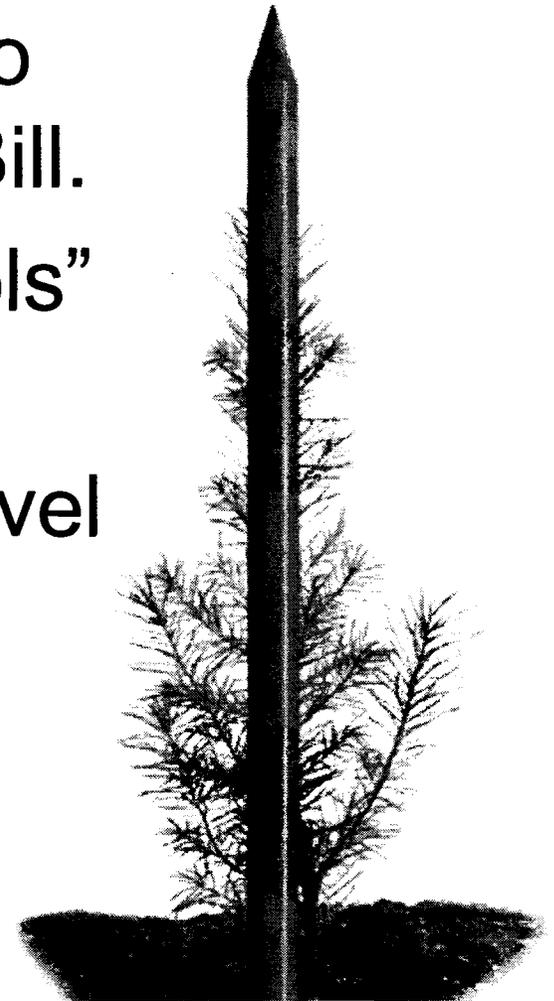
THERMAL ENERGY EFFICIENCY ACT 2009



- S. 1621 introduced by Sen. Sanders and Merkley
- Would establish competitive grant program
- 75% for construction-15% engineering/feasibility
- Split between industrial/commercial & public projects
- District heating systems, CHP or recoverable waste energy projects
- Funded via emission allowances under cap & trade

APPROPRIATIONS

- House and Senate drafts include funding for Community Wood to Energy title in the 2008 Farm Bill.
- Modeled after “Fuels for Schools” 6-state initiative.
- Funding would support state level programs similar to DNRC’s.



ON-SITE ELECTRICAL PRODUCTION

- H.R. 622 (Ways & Means)
- S. 870 (Finance)
- Amend 1986 IRS code to expand the tax credit for renewable energy production to include electricity produced from biomass for on-site use

PRODUCER TAX CREDIT PARITY

- Biomass credit is about half wind & solar
- Pulp & paper has resisted change
- Currently moot due to 30% grant in lieu
- Would mean 1.5 cent per kwh price reduction for the same return
- Sen. Wyden proposal

Thank You



FEDERAL FOREST POLICY AND STATE OPPORTUNITIES

Climate Change & Adaptation

HR 2454 Waxman-Markey Subtitle E Adapting to Climate Change

- EPA distribute allowances to States and Tribes based on (1) population and (2) the ratio of each State's per capita income;
- Allowance proceeds deposited into the State Energy and Environmental Development (SEED) Funds and used to support State Climate Adaptation Plans;
- Each State must gain federal approval of its Plan within 2 years of enactment;
- State reporting and independent evaluation is required within 1 year of receiving allowances; and
- Establishes a fund in the Natural Resources Climate Change Adaptation Account in the Treasury to allocate percentages to States for adaptation activities.



FEDERAL FOREST POLICY AND STATE OPPORTUNITIES

Climate Change & Adaptation

'Climate Change Safeguards for Natural Resource Conservation' – Senate 9/2009

- State Natural Resource Adaptation Plans within 1 year to access funds with 5 year updates;
- Establishes a 'Natural Resource Climate Change Adaptation Fund';
- Of Allowances sold, 38.5% shall be provided to states to carry out plans;
- 5% to the Secretary of Interior cooperative grant programs, i.e., Landowner Incentive Programs;
- 1/6 from LWCF shall be competitively allocated to States for natural resource adaptation plans;
- 1/6 Deposits in LWCF allocated to the Secretary of Agriculture available to States carry out adaptation plan activities through land acquisition under section 7 of the Cooperative Forestry Assistance Act of 1978; and
- National Forest and Grassland Adaptation ~ 5% shall be allocated to the USFS to fund adaptation activities carried out on State and private forestlands under the Cooperative Forestry Assistance Act of 1978.



WESTERN GOVERNORS' ASSOCIATION

Forest Health Advisory Committee – Climate Change and Adaptation

- Identify current assessments;
- Develop mitigation strategies;
- Communicate and coordinate management organizations and efforts;
- Identify states with established climate change programs and coordinators;
- Assess current strategic planning for climate change/adaptation; and
- Overall objective “Trees and Forests are effectively included in climate change/adaptation policy in our nations”.



Climate Change and Adaptation Working Group

- Determines the appropriate uses of climate adaptation modeling in informing natural resource and economic infrastructure planning and policies;
- Fills existing gaps in climate adaptation efforts within WGA;
- Reviews current and future climate legislation to assess the impact to state and their efforts to adapt to a changing climate;
- Reviews the current status and utility of climate adaptation modeling across forests, water, air and wildlife;

Biomass Utilization

- Develop informational resource site;
- Asses number and where there are active state level efforts; and
- Provide regional coordination and tools for communication

FEDERAL FOREST POLICY AND STATE OPPORTUNITIES

Western Climate Initiative

- Task 1 – Design Criteria ~ Essential Elements
 - Definition of an Offset
 - Real
 - Additional
 - Permanent
 - Verifiable
- Task 3 – Offsets
 - Forestry Protocols
 - Agriculture Protocols
 - Waste Wood Protocols

