

Biomass Confusion

The Effects of Regulatory Chaos

Forest Resources Association
Western Region Fall Meeting
Whitefish, Montana
September 22, 2010

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Agenda

- Big Picture Politics
- Congressional Action (or lack thereof)
- The Great Carbon Neutrality Debate
- State Regulation
- Challenges for Biomass

Big Picture Politics

- Democrats may lose majority in House
 - What does that mean for energy legislation?
 - Good for Obama's re-election?
- Climate change legislation (i.e., cap and trade) is dead for at least two years
- Energy-related legislation may pass in lame duck session
- Biomass is losing ground to wind and solar

Congressional Action

- The shelving of climate legislation is bad for all renewables (no more fear of declining caps)
- Next best things: RES and tax incentives
- Bipartisan RES bill introduced yesterday by Senator Baucus and others
 - 3% in 2012 to 15% in 2021
 - Biomass qualifies
 - No affect on existing state programs
 - Prospects this year uncertain

Congressional Action

- Production Tax Credit
- A little history:
 - Section 45 enacted in 1992; about 4 cents/kw
 - 2004 amendment includes open-loop biomass, but with only half the benefit (5 years instead of 10; 2 cents instead of 4)
 - Expired at end of 2009

Congressional Action

- Baucus Bill draft contains a one-year extension (through end of this year)
- House Committee staff resisted:
 - 2004 amendment was a compromise – industry doesn't get more
 - Extending the credit for existing facilities does not incentivize new development
- Sticking point is now cloture in Senate; maybe 60 before recess, likely in lame duck
- 2 cent v. 4 cent fight left for another day

Carbon Neutrality Debate

- Issue: Should carbon emissions from a biomass plant be treated the same as carbon emissions from a fossil-fuel plant?
- IPCC, EU, CEQ, and several federal agencies all say no – biomass is carbon-neutral
- EPA, at least for now, is saying yes, and it holds the regulatory stick (Tailoring Rule and Boiler/MACT)

Carbon Neutrality Debate

- How could reasonable people disagree?
 - Biomass simply recycles carbon in the biosphere, while burning fossil fuels releases new, additional carbon from the earth
 - But even scientists disagree: in May, 90 wrote Congress that biomass is not carbon neutral; in July, 110 wrote that it is
 - Key differences: timeframe and bias

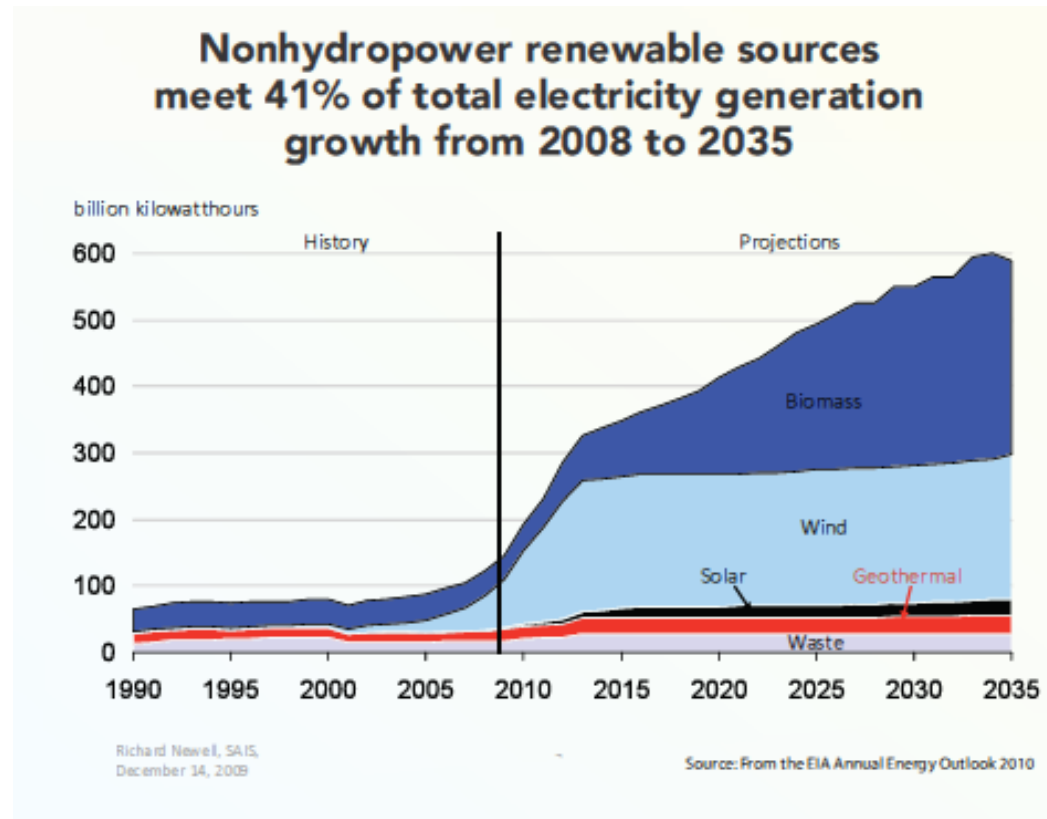
State Regulation

- State RES
 - Will the percentages increase?
 - Will other rules (e.g., in-service dates, geographic restrictions, banking limitations) be loosened?
 - Will PUCs encourage early compliance?
 - Will there be a liquid national market for RECs?
 - Watch CA

Challenges for Biomass

- Biomass represents about half of non-hydro renewable generation (EIA 2010).
- EIA expects strong future growth

EIA Projections for Biomass



Challenges for Biomass

- However, the trend is not good
 - Sluggish economy has kept electricity prices low and capital inaccessible
 - Plants are going offline and few new facilities are being built.
 - In CA, existing plants are shutting down, and new ones are not being built
 - In WA, biomass accounts for only 325 MW of capacity statewide, and opposition to new plants is strong

Challenges for Biomass

- Meanwhile, wind and solar development continues to boom
- Biomass is losing the PR battle, despite:
 - Baseload generation
 - More U.S. jobs
 - Contributions to forest health
- Warning: policymakers and public opinion are key to future of biomass

Questions?

