



## Clean Power Plan and Carbon Neutrality

### Issue

The well-established principle that forest-based biomass fuels are carbon neutral is coming under increasing attack. Over the last couple of years, a steady stream of negative articles in national mainstream media have alleged that combusting biomass for energy (as is done in hardwood mills) is worse for the environment than burning coal.

The Administration has been pondering the carbon profile of biomass combustion for several years. In November, EPA released its long awaited carbon accounting framework for biomass. The document was long on hypothetical scenarios and short on definitive policy statements, but an encouraging development was a memo that accompanied the report's release. In it, EPA leadership signaled that at least certain forms of biomass, such as mill residuals, could be considered carbon neutral in regulatory schemes that would be forthcoming from the Agency.

Perhaps the biggest and most impactful of these regulatory schemes--the Clean Power Plan-- was finalized earlier this summer. This package of regulations sets carbon emissions limits on coal fired electric utilities and lays out options for states to bring their utilities into compliance.

There is considerable—largely favorable--discussion in the package about biomass and its potential to contribute to the underlying carbon reduction goals of the Obama Administration and EPA. However, nothing in the regulatory language is definitive with respect to whether biomass will ultimately be recognized as compliance pathway for states to use in helping their utilities comply with the mandate.

### Background

A key element of the Clean Power Plan, and the only piece of the package that EPA will be taking comments on, is the Federal Implementation Plan (FIP). This document serves as a model for states to use in crafting their own compliance plans. If states refuse to develop their own plans to bring their electric utilities into compliance, they will be required to follow the guidance provided by the FIP, or be subject to federal action.

The proposed FIP seeks comment on a number of critical issues to the hardwood sector. Among these is whether and how biomass feedstocks should be tracked between harvest and eventual combustion. There is increasing concern among growers and users of forest-based biomass about an EPA-imposed biomass feedstock chain of custody requirement that would only serve to add administrative costs to our systems without any environmental benefit.

It appears that EPA's current preference is to establish a list of "preapproved" biomass feedstocks, such as black liquor and waste derived feedstocks, which would be eligible for states to use as a compliance measure. Additions to the list would be made as the understanding of various "climate impacts" of other feedstocks evolves over time.

There is also discussion in the document about sourcing biomass only from sustainably managed forest lands as a precondition for eligibility, but the proposal does not define what "sustainably managed" means. Also, the document appears to look favorably on biomass based industrial byproducts **for which there are no alternative markets**. This is an area of concern as saw mill residuals typically have many alternative markets—wood pellets, composite panel manufacturing, animal bedding, garden mulch, well drilling additive, etc. What EPA is trying to address with the alternative market qualifier is known as "leakage." For example, EPA is concerned that if markets for biomass energy become more attractive, hardwood sawmills that are currently selling mill residuals to composite panel facilities may begin selling their residuals to wood pellet manufacturers instead. Composite panels sequester the carbon from saw mill residuals long term within the building where those panels are installed whereas pellets are manufactured and then converted to energy.

### **Hardwood Federation Position**

The Hardwood Federation will continue to pressure EPA to formally recognize biomass as a carbon neutral fuel in the Clean Power Plan FIP, emphasizing the following:

1. The forest products and biomass value chain needs certainty on the carbon profile of biomass combustion. Through the FIP, EPA can and must forge a clear, simple, realistic and consistent policy that recognizes the environmental and economic benefits of biomass energy.
2. EPA's approach to biomass energy cannot add more costs to biomass usage through unnecessary recordkeeping, monitoring, tracking and verification schemes.