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3379 Somis Road PO Box 8 Somis, California 93066 (805) 386-4343

January 11, 2010

Lucille VanOmmering  
California Air Resources Board  
1001 I Street  
Sacramento, CA

Re: Comments of the **California Biomass Energy Alliance (“CBEA”)** on the CARB Workshop on *Cap-and-Trade Preliminary Draft Regulation*

Dear Ms. VanOmmering:

The California Biomass Energy Alliance (CBEA) is a trade association comprised of the State’s solid fuel biomass power industry, the largest in the nation. There are 33 biomass electric generating facilities in California, distributed across 19 counties, with a combined generating capacity of over 600 MW of reliable, baseload, renewable power that can be counted on and scheduled. Biomass power is approximately 1½ percent of the overall power generated in the State, and 17½ percent of all the renewable power generated in the state.

The existing biomass power industry provides California with significant economic and environmental benefits by:

- Diverting over 6 million tons of waste wood annually for fuel, preventing the alternate, more environmentally harmful, and greenhouse gas (GHG) generating, disposals of this waste, such as landfilling, open-burning, or biodegrading or burning in the forest.
- Diverting the wood waste also provides a net reduction of over 3.75 million tons of GHG emissions per year. Even further, an additional 3 million tons of avoided GHG emissions per year results from the biomass industry's displacement of fossil-fueled generation by the electric utilities.
- Reduces Criteria Pollutants By preventing open-field burning of 1.5 million tons of agricultural waste each year, biomass plants cut criteria pollutants up to 98%
- Employing about 750 direct jobs at the facilities and 1,200 to 1,500 dedicated indirect jobs in the fuel supply infrastructure. Most of these jobs are in rural areas of the State.

## **Combustion of Biomass Fuels**

The Draft Regulation properly counts only fossil-carbon emissions from stationary combustion sources toward the 25,000 MT CO<sub>2</sub>e annual emissions threshold, and exempts biomass fuel generators in California from an obligation to surrender emissions allowances in the cap-and-trade program. Biogenic emissions are fundamentally different than fossil emissions, and deserve different treatment. The ARB has made the proper decision here, and should stick with it.

Biomass energy conversion is carbon neutral because the carbon in the fuel is already part of the natural atmospheric carbon cycle. The carbon in the atmosphere is in rapid exchange with carbon in the earth's forests and farm crops (standing biomass). Biomass energy production uses carbon that is already part of the cycle. Fossil-energy production, in stark contrast, takes carbon that is locked away in geological storage, and adds it to the atmospheric stock.

While biomass energy production is carbon neutral due to the fact that it uses carbon that is already in the atmospheric-circulation system, the use of biomass can affect the carbon cycle in two important ways. First, biomass energy production from wastes and residues affects the mix of chemical forms in which their carbon-content is returned to the atmosphere. Energy production returns all of the carbon in the form of CO<sub>2</sub>, while natural decay and open burning return significant amounts of the carbon in the form of CH<sub>4</sub>, which is a much more potent greenhouse gas than CO<sub>2</sub>. Energy production reduces the warming potential of the portion of the biogenic emissions associated with waste and residue disposal that are in the form of CH<sub>4</sub>. Second, biomass-energy production has the potential to affect the carbon cycle by altering the balance between carbon in the forest, and carbon in the atmosphere. This potential is two sided—some forms of biomass energy production have the potential to transfer carbon from forests to the atmosphere, while other types of biomass energy production have the potential to transfer carbon from the atmosphere to the forest. The use of forest thinning residues for energy production as practiced in California has the effect of enhancing the growth rate of the forests, and reducing the risks of catastrophic losses in wildfires and infestations. While there is an initial pulse of carbon transferred from the forest to the atmosphere as the forest is thinned, on a long-term, sustainable basis the amount of biomass in the forests is enhanced, with a resultant transfer of carbon out of the atmosphere.

The Draft Regulation excludes the biogenic emissions associated with biomass fuels, but uses a placeholder to reserve the right to insert provisions that may be developed later. We are aware that the subject of sustainability standards being developed for biomass energy systems has become a hot topic of late. The focus of this interest has been on the issue of direct and indirect land-use changes that are associated with the use of crops that are grown exclusively or primarily as energy feedstocks, or forest harvests that are performed exclusively in order to produce energy feedstocks. In fact, all of the biomass fuel that is used for electricity generation in California is waste and residue material that either requires some form of alternative disposal, or is overgrowth biomass in the state's forests whose removal reduces the risks of destructive wildfires and disease and insect devastation.

The ARB considered these kinds of sustainability issues in its development of the RFS. In anticipation of the possibility that the ARB may decide to look at sustainability issues in connection with the biomass power industry at some point in the future, we ask the Board to issue a blanket exemption from sustainability standards now for all forms of biomass fuels that are wastes and residues.

### **Definitions**

Subarticle 2 of the Draft Regulation (page 7) includes a placeholder definition for biomass, with a notation that the “ARB is considering the use of the definition contained in the “Renewable Energy Program: Overall Program Guidebook, 2<sup>nd</sup> Ed., California Energy Commission, Report No. CEC-300-2007-003-ED2-CMF, January 2008.” We strongly urge the ARB to adopt that definition without amendment. The definition of biomass in the CEC Guidebook was developed in an open and public process, and has served the state well in the promotion of its renewable-energy goals. All of the fuels used by the biomass energy industry in California are wastes and residues, and in all cases their conversion to renewable energy provides an environmentally desirable disposal outlet compared with the conventional alternatives, which include landfill burial, open burning, and standing forests at high risk of destructive wildfires and insect and disease attacks.

### **Limited Use of Offsets**

The Draft Regulation allows for the use of a limited amount of offsets in lieu of emissions allowances in the cap-and-trade program. The proposed limit on the use of offsets is four percent of each emitter’s surrender obligation. We recognize the concerns that have led to setting this limit at a low level, but we believe that a more nuanced approach is warranted, particularly in view of the wide variety of kinds of reductions that might be offered as offsets. For example, we believe that offsets that are created for in-state activities, especially ones that have substantial benefits to the state in addition to the reduction of greenhouse gases, should be allowed into the system without counting towards the four-percent cap on offsets.

In particular, we believe that offsets that are awarded for the use of biomass fuels in California whose alternative disposal, in the absence of energy production, would not only lead to greater quantities of greenhouse-gas emissions, but also other environmental damages, should be usable without limitation in the cap-and-trade program. Our notion is that the total quantity of offsets that would qualify for special treatment of this kind (exclusion from the limitation on the use of offsets), based on being generated in-state and providing ancillary benefits, would be small. It might be appropriate for the ARB to decrease the quantity of allowances issued each year by the number of such special-treatment offsets, in order to preserve the overall greenhouse-gas-reduction trajectory achieved by the state.

### **Mandatory Reporting**

The ARB’s mandatory reporting rules, which went into effect in 2009 for the 2008 operating year, should be preserved for sources that are already subject to the rules. Unless

and until serious flaws are uncovered, it is important for the entire regulated community to operate with a reasonable degree of certainty as the future carbon-constrained world comes into effect. The reporting rules were developed in a fair and open process with input from a wide variety of stakeholders. Now is the time to let them work as written.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Bill Reen". The signature is fluid and cursive, with a prominent initial "W" and a long, sweeping underline.

California Biomass Energy Alliance  
Director and Chairman