

## News and Updates for Michigan's Biomass Industry.

Michigan Biomass is an advocate for and supported by the state's wood-fired power plants. Visit [www.michiganbiomass.com](http://www.michiganbiomass.com) for more information.

### Quick Hits

hot off the press

#### QFP update

Gov. Rick Snyder has signed a package of bills that overhaul the Qualified Forest Program that provides tax advantages for non-industrial private forest landowners who manage their woods.

Stakeholders and both chambers worked hard in 2012 to get all the right parts and pieces together, but the bills fell through administrative cracks during lame duck in December. They were quickly reintroduce in 2013.

The QFP exempts enrolled properties from certain ad valorem taxes and captures 2 mills to fund the program, allows certain structures on the property, makes related changes to the commercial forest program and permits smaller acreages.

#### Mascoma withdraws IPO

Mascoma Corp., developers of the 20 million gallon ethanol plant in Kinross, is asking the Security and Exchange Commission to withdraw its bid to go public.

Mascoma is working in partnership with several companies to perfect its bio-engineered yeast to distill ethanol from wood. The offering would have reportedly raised upward of \$100 million for the Kinross project and another in Alberta, Canada.

Mascoma is the fourth biofuel company to cancel or delay offerings just this year. It filed the IPO registration with the SEC in September 2011.

#### Timber summit held

About 150 representatives of industry and government participated in a day-long summit in April to explore opportunities and obstacles to a robust forest products industry.

Hosted by the Michigan Timber Advisory Council (TAC), the event included presentations on industry economics, remarks from Gov. Rick Snyder and brainstorming sessions.

Among the opportunities identified by the groups were export markets, Michigan's quality hardwood inventory and a supportive political climate. Obstacles to overcome include lack of market information, comprehensive energy policy, value-added processing and product development.

The TAC has been charged with reviewing summit outcomes to develop strategies to enhance the forest products industry.

#### Energy policy forums completed

The Michigan Public Service Commission and the Energy Office wrapped up a series of public forums in April to gather information about what a "no regret" energy policy would look like. The meetings took place in Grand Rapids, Lansing, Detroit, Bay City, Kalamazoo, Marquette and Traverse City.

MPSC and Energy Office staff will now compile this and other information and data to issue a report near the end of the year, with policy to follow in 2014.

#### Biomass industry waits on EPA

The biomass power industry is anxiously awaiting rulings from the U.S. EPA that could dramatically change how they operated. The Biomass Power Association, along with other industries, has filed petitions for determination to ensure that construction and demolition wood remain classified as an alternative fuel and not a waste product under Non-Hazardous Secondary Materials rules. They've also filed petitions to ensure that certain start-up and shutdown procedures and definitions in new boiler MACT rules meet industry standards.

Of critical importance to all biomass energy projects are draft rules expected this summer on carbon dioxide (greenhouse gas) emissions from biogenic sources. Biomass power plants currently have a three-year reporting exemption under the Tailoring Rule while EPA studies the climate change benefits of biomass energy and its potential impact on climate change. EPA rules could have far reaching impacts on other biomass energy sources such as ethanol and biodiesel.

#### Biomass, RPS challenged in other states

Renewable energy, and biomass in particular, are facing significant challenges in other states. Legislators in North Carolina are trying to rollback renewable portfolio standards there, while Connecticut is looking to swap out biomass for cheap hydro. In Maryland the state house killed legislation that would have effectively disqualified most biomass power.

**North Carolina:** Conservative tax reform groups are reportedly the driving force behind efforts to repeal that state's renewable energy program that died at the end of its session. A bipartisan house panel voted down a measure to repeal the program, although the committee chair vowed to bring the bill he sponsored up again. That didn't happen. A week later a senate committee marched through a similar bill on a questionable voice vote that elicited shouts for a rollcall.

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Both efforts failed when session ended May 16.

**Connecticut:** Calling biomass power old, dirty and outdated, legislators here have initiated bills that would marginalize biomass power in exchange for cheap hydro power imported from Canada. The proposal would require biomass plants to meet unachievable emission standards and relegates them to second tier REC status.

All this action came prior to a study released by CT's Dept. of Energy and Environmental Protection, which said hydro should not be the priority source of renewable energy in that state and should only come into play if other instate sources like biomass don't achieve the RPS goals.

**Maryland:** Maryland's only biomass facility is a prison, so when legislators found out that most of its renewable portfolio standards were being met by out-of-state paper mills using black liquor they launched an all-out war on all biomass sources.

It wasn't so much about sentiments toward or the efficiency of biomass power as it was a shot at the pulp and paper industry that a few years ago gobbled up billions in federal subsidies in so-called blenders credits. In the process, the senate bills relegated all biomass to second tier status, and then only if it meets unachievable efficiency standards like those in Massachusetts.

The Maryland house, however, saw the bills for what they were worth and killed the proposal.

### **Utility emissions rated**

A study on U.S. power plants shows continued improvements on air emissions.

Nitrogen oxides and sulfur dioxide emissions from the nation's 100 largest power producers have dropped approximately 80% over the past 12 years. CO<sub>2</sub> emissions have dropped about 10% as the amount of power generated from coal has diminished.

The study is sponsored by Ceres, a sustainable business organization, and the National Resources Defense Council, and environmental group, along with Bank of America, Entergy Corp., Exelon, PSE&G and Tenaska.

DTE Energy and Consumers Energy were ranked 24th and 40th respectively in emissions output per megawatt hour of power.

### **COMMENT:**

#### **Bridging energy policy and resource management**

There's been a lot of interest in biomass energy lately. It was a leading topic of conversation at the Michigan Forest Products Summit and is gaining the attention of the Michigan Public Service Commission (PSC), who attended the all-day summit.

It seems like the time is right to bridge the gap between energy policy and resource management to maximize the economic and environmental benefits of biomass power.

Biomass energy is "the big blue wedge" – that huge slice of the pie on charts from federal energy administrators that show biomass carrying the bulk of the nation's renewable energy freight for the next decade and beyond. Bigger than wind; bigger than solar. Biomass makes up 35% of all the renewable energy credits registered in Michigan, according to a recent report from the PSC.

Yet, in Michigan and around the country, there has been relatively little development of biomass energy under state renewable energy programs.

Why is that?

The many benefits of biomass make it complicated, and shaping energy policy around it is even more complicated. You see, biomass is more than just energy. It's a vital and integrated part of the forest products industry – but not its economic driver. It's a routinely used tool for forest health, stewardship and habitat management – but it is not the priority of those practices. It maximizes the value of our forest resources by extracting energy from residuals, scraps and leftovers – but aggregating those residuals, scraps and leftovers is logistically and economically challenging. It supports the power grid and backs up intermittent generation like wind and solar – but it's not the "preferred" renewable of regulated utilities.

Biomass is more than electrons on a wire; more than just a few construction jobs; way more than riling coal in from western states. It's local resources creating local jobs supporting local economies – attributes that most energy policy models don't recognize and a combination of values not found in any other form of energy produced today.

And that's pretty cool. No wonder everyone is talking about biomass these days, on the resource side and the energy side. Now we just need to get the two talking to each other.



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