

BCAP Briefing

Coordinated by: ELPC, NFU and 25x25
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The Intent of BCAP

“The Managers also intend that the primary focus of the BCAP will be promoting the cultivation of perennial bioenergy crops and annual bioenergy crops that show exceptional promise for producing highly energy-efficient bioenergy or biofuels”

- Managers Report accompanying 2008 Farm Bill

Unfortunately...

- Cultivation of dedicated energy crops requires a significant transition on the part of growers as well as establishment of new supply chains to handle dedicated energy crop biomass
- The establishment and annual payments designed to assist with this transition have not yet been implemented
- As a result, virtually all of the funding under the initial implementation of the matching payments program went to fund existing uses of existing waste streams enabled by existing supply chains

What Needs to Happen

- Promote the adoption of dedicated energy crops
- Avoid uneconomic solutions
- Seek environmental benefits through industry scale-up
- Provide flexibility to assist the growth of new industries
- Address the needs of growers

Promoting Dedicated Energy Crops

- Implement establishment and annual payments
- Include manager's intent in selection criteria for project areas by favoring projects involving dedicated energy crops
- Require a minimum percentage of matching payments to be used for dedicated energy crops
- Limit matching payments for use of vegetative wastes for heat and power to production above a historical baseline
- Exclude from matching payment eligibility wood wastes and residues that are typically used for higher value-added production

Avoiding Uneconomic Solutions

- Program impact will be maximized by having the maximum number of acres involved
- Full support for establishment of vegetatively propagated crops and/or building of infrastructure for “establishment” of algae cultivation would result in massive expenditure per acre
- Capping establishment costs at average levels for Title I crops can avoid this outcome

Gaining Environmental Benefits Through Industry Scale-Up

- To be successful, BCAP must be a production agriculture program, not a conservation program
- Conservation requirements applied to this program should be consistent with, and not greater than, those required under other production agriculture programs
- Tying matching payments to greenhouse gas emissions reductions, while great in theory, would in practice slow industry progress

Providing Flexibility

- Facility size should not be limited – smaller scale facilities are a necessary stepping stone for the industry
- Requiring that facilities “fully convert” to use of biomass in order to qualify for matching payments would exclude co-firing in existing coal facilities, which provides immediate displacement of fossil fuels with very low capital requirements and is one of the best options for renewable energy in the southeast
- Requiring an “arms-length” relationship between feedstock producer and processing facility restricts integrated value chains, which may be important for ensuring feedstock supply in the early years of industry development

Providing Flexibility (cont.)

- Matching payment eligibility should be longer than two years to provide essential support as the industry develops
- Favoring a “variety in biomass production approaches” for project area selection criteria may force projects to include suboptimal solutions to improve chances of qualification
- Favoring particular end-uses of dedicated energy crops (e.g. fuels vs. heat and power) could slow adoption of dedicated energy crops, extending the “chicken-and-the-egg” problem. All end-uses:
 - Help displace fossil fuels
 - Help reduce greenhouse gas emissions
 - Provide growers the opportunity to gain familiarity with the crops
 - Help get supply chains established

Addressing Grower Needs

- Preserve cropland base so that growers retain the flexibility to return to other commodities in the future
- Provide 50% of first year annual payment up-front (as currently recommended by CCC) to assist with any transitional costs not covered by establishment payments
- Ensure that growers with established stands of dedicated energy crops are eligible for annual payments so that early adopters are not punished
- Eventually, establishment of other programs such as crop insurance for dedicated energy crops will be essential to ensure that these crops are on an equal footing with traditional crops

Miscellaneous

- Adopting industry standard (rather than measured) moisture levels poses two problems:
 - It fails to differentiate between moisture levels of different feedstocks, which vary greatly
 - It provides an incentive for increasing rather than decreasing moisture levels in feedstocks, which leads to higher CHS&T costs and increased fossil fuel usage for transport and drying
- High biomass sorghum is a promising dedicated energy crop due to its high yields, low input requirements and ability to fit into existing crop rotations. It needs to be clearly distinguished from grain and forage sorghums, and included as both an eligible material and an eligible crop
- Information disclosures required of BCAP participants should ensure that confidential and/or proprietary information can be protected so that they do not serve as a disincentive to participate