



National Alliance of Forest Owners
Investing in the Future of America's Forests

**Statement of the National Alliance of Forest Owners
House Committee on Ways and Means
Hearing on Energy Tax Incentives Driving the Green Job Economy
April 14, 2010**

I. Introduction

The National Alliance of Forest Owners (NAFO) is pleased to submit comments to the House Committee on Ways and Means regarding the “Energy Tax Incentives Driving the Green Job Economy.” NAFO is an organization of private forest owners committed to promoting federal policies that protect the economic and environmental values of privately-owned forests at the national level. NAFO membership encompasses more than 75 million acres of private forestland in 47 states. NAFO members are well positioned to help our nation meet its renewable energy and climate change objectives, and NAFO is prepared to work with the Committee and Congress toward that end.

Private working forests are a fundamental part of the strategic natural resources infrastructure of our nation, producing renewable, recyclable and reusable wood and paper products, sustaining plants and wildlife, producing clean water and air and providing recreation experiences. Working forests also play a substantial role in helping this country achieve energy independence while reducing greenhouse gas (GHG) emissions. Forest biomass is a renewable energy feedstock that can help meet our national renewable energy goals in all regions of the country, if placed on a level playing field with other renewable energy sources.

NAFO supports H.R. 2626, introduced by Representative Meek and Representative Herger, which would equalize tax credit rates for all renewable technologies, including open loop biomass, under the Section 45 Production Tax Credit (PTC). NAFO asks this Committee to recognize biomass from private, working forests on an even playing field with other renewable energy sources and make open loop

biomass facilities eligible for the entire Section 45 PTC as it reviews energy tax incentives.

II. Working Forests Play A Critical Role In Achieving The Goal Of Low Carbon Energy.

Working forests produce a renewable energy feedstock that can also play a substantial role in helping this country achieve energy independence and meet our national renewable energy goals while reducing GHG emissions, if allowed to compete with other renewable energy sources. Our nation's working forests can provide ample, sustainable, domestic supplies of biomass to produce low-carbon liquid transportation fuels, low-carbon sourced electricity, efficient low-carbon combined heat and power for manufacturing and other industrial uses, and ultra-low-carbon synthetic natural gas that can be substituted for higher carbon sources of electricity and fuels.

Biomass energy improves our nation's carbon footprint by replacing fossil fuels with biomass fuels that are part of the natural carbon cycle. Well-managed forests provide clean, renewable energy that recycles through the atmosphere. Each year our nation stores more carbon in its forests than it releases from them. According to the U.S. Department of Energy, replacing gasoline with cellulosic ethanol made from forest materials can reduce greenhouse gas emissions compared to gasoline by as much as 86 percent.¹

A. The Combustion of Forest Biomass is Carbon Neutral

Prevailing science acknowledges the significant carbon benefits of electrical and thermal energy produced using renewable biomass from managed forests, and there has long been a consensus that wood and wood residues used to produce such energy in the United States have a neutral effect on atmospheric carbon. The international greenhouse gas accounting methods developed by the Intergovernmental Panel on

¹ U.S. Department of Energy. Ethanol Benefits. Retrieved from the Internet on February 8, 2010 at www.afdc.energy.gov/afdc/ethanol/benefits.html.

Climate Change (“IPCC”) and the domestic greenhouse gas reporting program administered by the Energy Information Administration, for example, recognize that “biogenic” carbon such as the carbon contained in wood and wood residues, is part of the natural carbon balance and will not add to atmospheric concentrations of carbon dioxide. The EPA has also concluded that there is “scientific consensus’... that the carbon dioxide emitted from burning biomass will not increase CO₂ in the air if it is done on a sustainable basis.”²

B. Forest Biomass Can Be Produced In A Sustainable And Environmentally Responsible Manner.

Private forest landowners demonstrate sustainable forest management through a variety of established methods, including reforestation of harvested sites to maintain the forest cycle and use of best management practices (“BMPs”) defined through voluntary and regulatory forestry programs and forest certification standards. See NAFO, *NAFO Advocacy Position on Sustainability*, available at www.nafoalliance.org/sustainability-advocacy-position. Sustainable forest management is also achieved through private forest landowner’s compliance with the existing laws governing forest practices and environmental quality. Private forestry operations are regulated by a fairly complex set of laws, regulations and non-regulatory policies at the federal, state and local level. See NAFO, *Environmental Regulation of Private Forests in the U.S.*, available at www.nafoalliance.org/environmental-regulation-of-private-forests/. There is considerable evidence that this complex framework of regulatory and non-regulatory requirements has substantially reduced adverse environmental impacts from forestry, and will continue to do so in the future. See *id.* Because working forests are an important potential source of renewable biomass, some have expressed concerns that increased demand for biomass might result in adverse environmental effects. However, while it is difficult to speculate beyond broad generalizations, the removal of additional biomass from working forests is not likely to have negative environmental impacts and, in many instances, will be beneficial. See *id.* A robust yet flexible array of tools, in the

² U. S. Environmental Protection Agency Combined Heat and Power Partnership. *Biomass Combined Heat and Power Catalog of Technologies*, 96 (Sept. 2007) available at www.epa.gov/chp/documents/biomass_chp_catalog.pdf.

form of federal, state and local laws, regulations, programs and BMPs have measurably improved the environmental performance of forest operations in the United States, and can be expected to continue to do so going forward.

II. Private Forests Can Only Make Their Full Contribution to a Low Carbon Energy Future When Parity is Established Among All Renewable Energy Sources, including Biomass, Wind and Geothermal Energy.

Biomass from well managed forests is a critical source of renewable energy, along with other sources, such as wind and geothermal energy. Wind and other renewable energy resources, however, are not viable in all parts of the country. Many areas of our nation also presently rely heavily on fossil fuels despite the fact that wood biomass is their most viable renewable energy source. Wood will also account for as much as 1/3 of the energy needed to meet a federal renewable electricity standard. We cannot meet our renewable energy goals without biomass energy. Putting all similarly situated energy generation technologies on a level playing field will allow different regions across the country to use the resource that is best suited to, and most economic, for that area.

III. Federal Renewable Energy Policies That Include Wood Biomass Create More Jobs And Help The Economy.

A 2009 study of the economic impact of working forests in 29 states found that private forests currently support 2.8 million jobs, \$262 billion in annual sales, \$97 billion in payroll, \$4.4 billion in state income and severance taxes, and \$115 billion to the combined GDP of the 29 states.³

Federal renewable energy policies that include wood will create more jobs and help local economies. The National Renewable Energy Laboratory estimates that biomass energy plants create up to 4.9 jobs for each MW of installed capacity.⁴ This translates

³ Forest2Market. The Economic Impact of Privately-Owned Forests. September 2009. Available on the Internet at http://nafoalliance.org/wp-content/uploads/f2m_economic_impact_study_2009.pdf.

⁴ Morris, Dr. Greg. U.S. Department of Energy National Renewable Energy Laboratory. *The Value of the Benefits of U.S. Biomass Power*. 1999.

into nearly 735 green jobs for a 150MW facility that is sufficient to power 150,000 homes.⁵ In addition, one biomass plant of this size represents a roughly \$150 million upfront construction investment with an estimated \$20 million per year thereafter invested in the local economy in fuel purchase and operations.

IV. H.R. 2626 Provides the Necessary Fix for Open Loop Biomass Energy to Make Its Full Contribution to Our Nation's Low Carbon Energy Goals

NAFO appreciates the efforts of Representatives Meek and Herger to equalize tax credit rates for all renewable technologies under the Section 45 Production Tax Credit.

Currently, the Section 45 PTC for electricity from certain renewable resources creates “winners and losers” by enabling some facilities generating renewable electricity (such as wind and geothermal) to receive the full production tax credit, while others (such as open-loop biomass and incremental hydropower) are only eligible to receive one-half of the credit, and as such, are at a competitive disadvantage. In those 20 plus states having a renewable portfolio standard, which cover more than half the U.S. population, the need for additional renewable energy is typically filled by conducting an auction. The winners in these auctions, in the overwhelming majority of the cases to date, have been the types of facilities that receive the **full** Section 45 production tax credit rate, as the facility operators are usually able to bid lower than the half-credit technologies for renewable energy contracts. Further, technologies that are eligible to receive the full production tax credit are generally considered more attractive investments when developers require equity.

Upon review of the legislative history, Congress has not enunciated an energy policy, or tax policy argument for continuing these two “tiers” of PTC rates. In fact, with regard to energy and energy tax law, Congress has been consistently trending towards “technology neutrality.” In the American Recovery and Reinvestment Act of 2009, for example, Congress placed development of all new renewable energy facilities on a level

⁵ "Electrical Energy." The New Book of Popular Science. 2000 edition. Grolier Incorporated, 1998. Text retrieved from the Internet at <http://hypertextbook.com/facts/2003/BoiLu.shtml> February 8, 2010.

playing field by allowing the Section 45 credit-eligible technologies (including new open-loop biomass facilities) to make the election into the Section 48 Investment Tax Credit (ITC) regime. Developers of new renewable energy facilities, including wind; geothermal; incremental hydropower and open-loop biomass, are all eligible to elect a one time investment tax credit set at 30 percent.

The enactment of H.R. 2626 will level the playing field for all renewable technologies and also send the appropriate message to investors and developers that our nation's tax policy values the benefit of all renewable technologies.

V. CONCLUSION

NAFO strongly supports our nation's efforts to establish new sources of renewable energy, and thereby reduce its dependence on fossil fuels and imported energy. America's working forests can play a fundamental role in meeting these new and growing energy needs. U.S. policies should encourage investment in forests as a source of renewable energy by making open loop biomass eligible for the entire Section 45 Production Tax Credit as called for in H.R. 2626. Such an approach will enable our country to meet its renewable energy objectives. At the same time, it will allow working forests to make their full contribution to our nation's renewable energy portfolio while still providing important additional environmental benefits, such as reduced GHG emissions, clean water, wildlife habitat quality recreation and other environmental benefits Americans need and enjoy.

NAFO appreciates the opportunity to comment on this important hearing and looks forward to working with the Committee and the Congress on this issue.

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