



# **Biomass and Renewable Energy Mandates**

*June 2015*

**The forest products industry is the nation's leading producer and user of carbon-neutral renewable biomass energy.**

While other emerging technologies are being developed, today's biomass energy is heavily dependent on wood fiber. This same woody biomass is an essential raw material for value-added forest products, such as paper, packaging, wood products, wood-based chemicals, and other innovative wood-based products.

Paper and wood products manufacturing facilities account for 62 percent of the renewable biomass energy consumed by all manufacturing sectors, most of which is derived from manufacturing residuals. This process is among the most efficient in the world, using materials that would otherwise be waste to create both thermal and electrical energy, commonly referred to as combined heat and power (or cogeneration) technology.

Studies show that per ton of wood used, the forest products industry sustains nine times as many total jobs as the biomass energy sector.

**Government policies that pick winners and losers by mandating a particular use for a raw material or fuel are misguided and should be avoided.**

The rapid increase and cumulative effect of government mandates and incentives for promoting the use of biomass for energy – such as in state Renewable Portfolio Standards, EPA greenhouse gas regulations for utilities, other climate policies and the Renewable Fuel Standard – could upset the forest use/product markets balance.

U.S. wood pellet exports to the European Union (EU) were 2.8 million metric tons in 2013 and reached 3.9 million metric tons in 2014, according to data from the U.S. Bureau of the Census. A December 2014 Forest Service Study suggests that this trend may accelerate through the decade as the European power sector seeks to achieve the EU's 20 percent renewable energy mandate by 2020.

The EU Council of Ministers in October 2014 adopted a 27 percent renewable energy target by 2030. Unlike the 2020 mandate, the 2030 goal is an EU-wide target, not country-specific. The high European subsidies will likely continue to drive biomass imports through 2020, but it is still unclear how individual member states will respond to the 2030 goal. Those policy decisions by EU Member States will determine whether or not there are changes to the current high subsidy levels which impact wood biomass markets.



## Policy Recommendations

- AF&PA opposes government mandates and incentives that distort the market (both domestic and foreign) for woody biomass raw material for the U.S. paper and wood products manufacturers.
- AF&PA believes market forces, not government mandates and incentives, should determine the use of wood and wood residuals for renewable energy. Where state or federal governments institute incentives or mandates for renewable energy, those policies must treat existing industry energy generation from biomass equally with newly created renewable energy generation, promote sustainable forest management, and provide incentives for reliable and affordable regional fiber supplies rather than a particular use while maintaining open market access.
- Federal renewable energy policies should not require forest products manufacturing facilities to compete with their power suppliers and other energy producers for biomass fiber on an uneven playing field.
- Policies that have the unintended effect of diverting biomass supply to subsidized energy use have the danger of undermining existing, highly-efficient renewable energy production at existing facilities in the forests products industry. These policies should be avoided; the risk of manufacturing job loss due to product diversion is compounded with the loss of existing renewable energy use.
- Similarly, AF&PA opposes any definition of biomass that includes municipal solid waste that does not specifically exclude commonly-recycled materials, because these policies risk diverting paper that would otherwise be recycled into new products.
- Recognizing the long growing cycle for forests, we believe any government policies that encourage additional demand for biomass should be coupled with policies that increase the available long-term supply of wood to meet future demand for paper and wood products as well as new and growing markets for energy and other uses. Policies also should include safeguards to minimize disruptions in the flow of fiber and related market distortions.