

Biomass Crop Program Offers Assistance To Producers

URBANA, ILL.

Producers interested in growing biomass crops can eliminate financial risk through the Biomass Crop Assistance Program (BCAP). Jody Endres, senior regulatory associate at the Energy Biosciences Institute at the University of Illinois, discussed how BCAP can benefit producers at the 2010 Bioenergy Feedstocks Symposium held last week in Champaign.

"BCAP was created as part of comprehensive energy legislation to incentivize the production of biomass-based products to be marketed for fuel, heat, power and other products," Endres said. "It was authorized in the 2008 Farm Bill and funding will continue through 2012."

The demand for biomass is increasing. The U.S. Renewable Fuel Standard (RFS) mandated that 100 million gallons of cellulosic fuels be used as transport fuels in 2010. And by 2022, the mandate is 16 billion gallons. Unfortunately, the current supply system is not well-developed due to producers' reluctance to enter the market, Endres said.

"Perennials require long-term commitment, novel agronomic practices, unique harvesting equipment, and offer little carbon price incentive," she said.

However, BCAP helps reduce the financial risk through this first incentive program for energy biomass production. The two-part program includes Collection, Harvest, Storage and Transportation (CHST) and Project Areas.

CHST provides a direct, matching payment to eligible material owners upon delivery of biomass crops to a qualified biomass conversion facility. The facility must use biomass to produce heat, power, advanced biofuel, or bio-based products for themselves or someone else. However, the eligible material owner and the facility must be entirely separate legal entities and complete the transaction at "arms-length."

The BCAP provisions of the 2008 Farm Bill reference the definition of renewable biomass in the bill to determine eligibility, with exceptions. Material eligible for CHST can come from federal, or private and Indian lands. On federal lands, this includes materials from preventative or restorative treatments only.

Although the 2008 Farm Bill defines renewable biomass on private and Indian lands as including feed grains, other commodities, other plants and trees, algae and wastes, the BCAP provisions regarding eligibility for CHST payments disqualify Title I crops, algae, animal wastes, food wastes and municipal solid wastes.

"In order to receive payment for CHST, the facility must complete an application with the USDA Farm Service Agency (FSA) and the eligible material owner must submit an application in advance at their county FSA office," Endres said. "FSA will then approve and verify eligibility."

FSA began issuing matching payments last fall and will pay eligible material owners \$1 per dry ton paid by the facility, up to \$45 per ton. Producers are eligible for two years from the time of first payment.

The second part of BCAP, the Project Areas program, is awaiting implementation. Once in operation, producers can receive up to 75 percent of perennial establishment costs, and an undetermined amount for perennial or annual production.

The 2008 Farm Bill requires USDA to designate "project areas" before any payments for biomass production can be issued. A biomass conversion facility is required and producers must be "within an economically feasible distance" to supply the facility's biomass needs. A proposal must be sent to FSA stating the facility will buy the crops, has sufficient equity, and is viable.

The proposal must also include a description of eligible land and crops. Under the Project Areas program, eligible land differs from CHST, which can cause some initial confusion. Eligible land is only private land not used for Conservation Reserve Program, Wetlands Reserve Program, Grassland Reserve Program, or land that has not had native sod after May 22, 2008. It excludes payments for Title I crops, and crops deemed noxious or invasive by federal or state law.

Once the proposal is sent to FSA, they will look at sustainability and the volume of biomass produced by the producers in the proposal and producers outside of the proposal.

"FSA considers economic impacts, producer and local ownership of the biomass conversion facility and participation rate by new and socially disadvantaged farmers," Endres said. "They will also consider soil, water and related impacts as well as the variety of agronomic and cropping practices used."

Once a project area is awarded, a written contract must be established between the producer and USDA that provides information to promote production and conversion, show that they are observing highly erodible land and wetlands conservation requirements, and that they are implementing a forest or conservation stewardship program.

The Biofuels Interagency Working Group has been established to develop consistent, optimal definitions and practices between RFS and BCAP. One regulation for both CHST and Project Areas should be issued shortly, with a comment period.

"It's important to take advantage of the comment period," Endres said. "As you can see, where those project areas land is a high-stakes result. As stakeholders, through our comments, we perhaps can influence how project areas are chosen." Δ



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