

**Biomass Crop Assistance Program for FSA (Farm Service Agency)
Updated March 5, 2010**

(Note: The BCAP program has been suspended for at least sixty days beginning February 1, 2010, pending final review and public comment period that ends March 31, 2010. The suspension may last longer if all public comments are to be addressed. This means that no new applications will be accepted until after the suspension ends; however, payments in process prior to February 3rd will be paid.

Under the proposed rules, three new payment categories have been proposed:

1. **Existing facilities** – dollar-for-dollar matching payment for biomass suppliers of facilities converting wastes/residues into renewable energy, not to exceed \$16/dry ton, for eligible materials used to produce heat or electricity ABOVE the facilities' historic baseline.
2. **Existing or New Biofuels Facilities** – dollar-for-dollar matching payment for biomass suppliers of facilities converting wood/waste residues into advanced biofuels, not to exceed \$45/dry ton. This would provide an additional incentive to build advanced biofuels facilities.
3. **New Facilities** – dollar-for-dollar matching payment for biomass suppliers of NEW facilities such as schools that would convert oil/coal burners to biomass, etc., not to exceed \$45/dry ton. Payments would be reduced for facilities that do not increase production over historic levels.

These proposed changes would reward those that increase their production of renewable energy, rather than pay those who have been producing renewable energy for years, by requiring future BCAP payments will only be made for eligible materials used to produce energy above the facilities' historic baseline.

In addition, the proposed rules would allow no matching payments to suppliers of facilities converting wood wastes/residues into heat or electricity for their own use, effectively eliminating sawmills and pulp mills currently in BCAP that create their own power from wood residues.)

With that said, below is the white paper we produced in 2009, with some minor changes (in italics.)

1. What is "BCAP?"

The Biomass Crop Assistance Program (BCAP) provides financial assistance to producers or entities that deliver eligible biomass material to designated biomass conversion facilities for use as heat, power, biobased products or biofuels. Initial assistance will be for the Collection, Harvest, Storage and Transportation (CHST) costs associated with the delivery of eligible materials.

2. What does that mean in layman's terms?

The 2008 Farm Bill provided a means to pay producers of "eligible biomass material" matching funds - \$1 for \$1 – up to \$45/dry ton collected (cut, processed and loaded), delivered, stored and transported to a "Qualified Biomass Conversion Facility."

3. What is "eligible biomass material?"

A complete description can be accessed here:

http://www.fsa.usda.gov/Internet/FSA_File/bcap_elig_mats_090714.pdf

It does make a difference whether or not you are obtaining the material from Federal or non-Federal lands, but assuming the latter, the following is what is considered as "eligible":

Renewable Plant Material including (note list is not all-inclusive. Please refer to the Final Rule for a complete list):

Trees and Shrubs such as:
Forest thinnings materials
Forest, harvest, and post-disaster slash (branches, tops, and disaster debris.)
Hardwood chips
Softwood chips
Cutoffs
Bark

Wood residues such as:
Wood mill waste and scraps including sawdust
*New wording also includes the following definition:
Other vegetative waste material (including wood waste and wood residues that would not be used for higher-value products.)*

If removed from non industrial private forest land, the eligible material collection and harvesting activities must be done according to a new or amended Forest Stewardship Plan (FSP), or other practice plan approved by the State forester.

4. Who is an "Eligible Material Owner?"

1. A person having the right to collect or harvest eligible material and that has delivered the eligible material to a CHST qualified biomass conversion facility and who has purchased the material from the landowner, (for example, a bulk sale) or:

2. For eligible material collected from private lands, including cropland, the owner of the land, the operator or producer conducting farming operations on the land, or any other person designated by the owner of the land (for example, "pay-as-cut".)

To clarify, if you buy a timber sale that includes all materials in a bulk sale, then you – the logger/wood supplier, etc. – would be the “Eligible Material Owner.” If you buy it as a “pay-as-cut” sale, the landowner is the “Eligible Material Owner.”

5. What is a “Qualified Conversion Facility?”

A qualified biomass conversion facility means a biomass conversion facility that meets all the requirements for qualification outlined in this NOFA, for which the facility owners enters into a memorandum of understanding (MOU) for such facility qualification with the Deputy Administrator. A paper or pulp mill, sawmill, OSB plant, etc. – any facility that burns hog fuel in a boiler, or converts biomass material into heat, power or bio-based products – can apply to be a conversion facility. The application form can be found here:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=agri&topic=bcap>

6. Are chip mills included?

Since they do not burn or convert the material, they are not eligible to be a conversion facility.

6. Are any facilities in North Carolina currently approved?

As of this writing, several facilities in North Carolina have been approved as a qualified biomass conversion facility. The list is updated at least weekly. For the latest information and list of approved facilities, please go to this website link:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ener&topic=bcap>

and go to the “Facility Listing” .pdf file.

7. What does it mean to a facility to become qualified?

If your facility converts or plans to convert eligible material into heat, power, biobased CHST products, advanced biofuels, or any combination of these, please download an Agreement template from the BCAP Website (<http://www.fsa.usda.gov/bcap>) and follow the instruction for submitting it to your State FSA Office.

The form to complete is rather detailed, but not all that difficult. Some concerns raised to date include the amount of paperwork involved, measurements that are currently required to be taken on each load of material (not all mills are not set up to conduct the tests for green-ton/dry-ton conversion at this point), and the length of time the program is set to run.

If a company has multiple mills across the country, or within the state, each facility is required to submit an application.

8. How long does the BCAP last?

After a facility is approved, the program will last for two years after receipt of the first payment. So if a facility is approved on December 1, 2009, a check is received by an eligible material owner by January 1, 2010, the program for that producer would end December 31, 2011.

9. I am an Eligible Material Owner. What should I do once I identify a CHST qualified Biomass Conversion Facility (BCF) in my area?

After a BCF becomes qualified for CHST by having an Agreement signed by the State FSA Office, and assigned a facility identification number, an eligible material owner may apply for CHST Matching Payments at the county office before delivery and provide information about the sale. The eligible material owner should bring in copies of any contracts or letter of intent to sell products to the qualified biomass conversion facility.

10. How is the payment determined?

The CHST Matching Payment Program will provide eligible material owners matching payments for the sale and delivery of eligible material to a CHST-qualified BCF. These payments will be available to eligible material owners at the rate of \$1 for each \$1 per dry ton paid by the CHST-qualified BCF to the eligible material owners, limited to a maximum of \$45 per dry ton and limited to the 2-year payment duration.

11. Since most deliveries and payments are based on a green ton basis, why isn't the BCAP also based on a green ton?

That option remains a possibility to be changed in the future; however, the current bill was written to determine payment based on dry tons. If no average can be determined, they will use \$33/dry ton as the conversion rate.

12. How often are payments made?

When the correct information (scale tickets and any other supporting documents) is supplied to the local office, checks are cut or direct deposited in 2-3 business days.

13. If I have a sawmill and sell residue to another company, am I eligible to receive the BCAP?

Yes, as long as it is a different company (not a subsidiary) and if the receiving mill is on the approved list.

14. As a landowner, what can I expect from this? Must I have a Forest Stewardship Plan or other type of management plan?

If you are an "aggregator" of material; i.e., someone who collects material from numerous owners and has title to the material, you do not have to prove that each owner has a management plan. However, if you retain title and are the recipient of the BCAP payment, you may need to show the FSA that you have a state-approved management plan in place.

The NC State Forester has provided the following information that will qualify as an approved plan:

1. Forests managed under a current Forest Stewardship Plan (FSP)
2. Forests managed under a Tree Farm plan
3. Forests certified by the Forest Stewardship Council (FSC), the Sustainable Forestry Initiative (SFI) or the American Tree Farm System (ATFS)

4. Forests enrolled in the Forest Legacy program
5. Forests managed under a plan prepared by a :
 - a. North Carolina Registered Forester
 - b. Society of American Forests Certified Forester
 - c. NC Division of Forest Resources (NCDFR) approved standing timber plan writer
 - d. NC Forest Stewardship Program approved plan writer
 - e. Association of Consulting Foresters member
 - f. Sustainable Forestry Initiative member (SFI)

When a plan is prepared by a person who is not participating in one of the above mentioned programs, the State Forester or his agent will require an opportunity to review the plan to insure that the plan utilizes state BMP's, follows Forest Practice Guidelines rules and addresses sustainability before harvesting.

If eligible material from nonindustrial private forestland does not fit one of the categories above, it can become eligible for BCAP funding if the eligible material owner has a management plan produced, as per guidance above, prior to the biomass harvest. The Eligible Material Owner may also seek eligibility of a forest by requesting a Forest Practice Guidelines (FPGs) Related to Water Quality compliance check through their local NCDFR office. Once requested, NCDFR staff will conduct an FPG exam pre- and/or post-harvest and provide the eligible material owner with a copy of the FPG verification form. (Allow one weeks' notice before harvesting begins for a pre-harvest exam.)

After delivery, eligible material owners may submit payment requests to their county office. Then the county office will authorize payment to be made through the United States Treasury.

15. What is the total estimated cost of the program?

Original estimated costs were in the \$75 million/year over five years. However, as new facilities were approved, the estimated amounts of eligible materials increased, and the total ballooned to \$2.6 billion over fifteen years, with the bulk of the payments (\$2.1 billion) in the first five years. The remaining ten years would be for annual payments to landowners who sign contracts to establish woody perennial crops after harvest. Note that if a landowner signs up for this program, they would not be eligible for other payments such as CRP.

16. Where can I find out more information?

The text of the bill can be found here:

http://www.fsa.usda.gov/Internet/FSA_Federal_Notices/bcap.pdf

The FSA/BCAP website is here:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=agri&topic=bcap>