

back to the utility, but those limits are in no threat of being reach, and anyway, is a problem we could only wish to have.

Property Tax Assessment Model

The second financing model, the property tax assessment model, is being spearheaded by a number of communities, including the City of Berkeley. This model allows a property owner to opt for a special property tax assessment on the property in exchange for a government-backed loan to build the solar system. The government entity can raise the funds necessary for the program with revenue bonds. The benefits for such a program include lower financing rates, the simple transfer of the system and obligations at the sale of the property, and the ability to spread the payments out over long period of time, thus reducing the per-month cost to at or below the current market rate for power. Of course, this type of program requires a taxing authority willing to undertake the effort and there are differing ways to recoup

the administrative expenses. Berkeley has recently closed the application period for its pilot phase of the program. Berkeley will now assess the benefits and costs of the program over the next few years and determine whether it can sustain another round or a permanent program to finance renewable and solar installation. Depending on the success of Berkeley and other cities willing to experiment, this model may become widely available in urban areas throughout the country.

Conclusion and Implications

There are numerous variations to these models, as well as variations of more traditional “home improvement” financing. One thing appears to be certain, the United States is at a tipping point where through a combination of technological advances, relative cost reductions, and social pressures, distributed solar power may not only make environmental sense, but also economic sense for the consumer. (W. Ohle/B. Flanagan)

THE BIOMASS CROP ASSISTANCE PROGRAM MAKES FIRST MATCHING PAYMENTS FOR COLLECTION, HARVEST, STORAGE AND TRANSPORTATION OF RENEWABLE BIOMASS

At the end of the summer, the U.S. Department of Agriculture’s Farm Services Agency (FSA) made its first matching payment under the new Biomass Crop Assistance Program (BCAP). BCAP doubled the amount received by a biomass producer for biomass it supplied to a State of Missouri fuel pellets manufacturer, the first biomass conversion facility that became qualified under the program. The matching payments have provided a much needed incentive to the biomass producers and the relative ease of the application and approval process has resulted in significant participation in the short few months since the program’s creation.

The Biomass Crop Assistance Program

BCAP was created by the 2008 Farm Bill in an effort to form a sustainable biomass market and infrastructure. The program has two parts: (1) it establishes project areas and provides financial assistance

to landowners who grow biomass on these project areas and (2) it provides dollar for dollar matching payments to eligible biomass owners for the collection, harvest, storage, and transportation (CHST) of biomass to qualified biomass conversion facilities.

The CHST portion of BCAP was put on a fast track implementation schedule by President Obama on May 5, 2009, when he issued a directive instructing the Secretary of Agriculture to aggressively accelerate the investment in and production of biofuels, and, specifically, to make resources available and provide guidance and support for CHST. The Commodity Credit Corporation (CCC) and FSA promptly issued the first set of rules for the implementation of the CHST portion of BCAP, and the first matching payment under the program was made before the end of August 2009.

This unusually speedy rulemaking was greeted with enthusiasm by the landowners and biofuel plants, whose excitement is understandable—immediately

available federal funds have breathed life into this emerging industry amidst a severe economic slowdown. BCAP has been particularly good news for the forest products industry struggling with an unprecedented drop in lumber prices. The main elements of the program are as follows:

Eligible Material Owners

The persons eligible to receive CHST matching payments from the FSA are persons having the right to collect or harvest renewable biomass and that have delivered that biomass to a qualified biomass conversion facility. In other words, the matching payments are available to the owners of the land on which the renewable biomass was harvested, or any person designated by the owner of the land as the person with these rights by contract or otherwise.

Eligible Materials

Matching payments are available for collection, harvest, storage and transportation of renewable biomass, with the exception of the agricultural commodity crops (e.g., corn, wheat, barley, grain sorghum, oats, upland cotton, rice, peanuts, and oilseeds), animal waste and animal waste-byproducts, food waste, yard waste, and algae. The following forest products are eligible for the matching payments: forest thinning materials, forest, harvest and post-disaster slash, hardwood and softwood chips, cutoffs and bark, wood waste and wood residues. The complete list of eligible materials is published on the BCAP website.

In addition to the above requirements, renewable biomass must also be collected and harvested from eligible land. Biomass collected from most of the public and tribal lands is eligible for the matching payments portion of BCAP. Biomass collected from privately owned land is eligible if its collection and harvesting is done within applicable environmental requirements and all applicable state and local ordinances and permits. Privately owned nonindustrial forest land is eligible if the biomass collection and harvesting is done in accordance with a Forest Stewardship Plan that has been approved by a state forester. It should be noted that the 2008 Farm Bill defines the nonindustrial private forest lands by importing the definition from the Cooperative Forestry Assistance Act of 1978: "rural, as determined by the Secretary [of Agriculture], lands with existing tree cover, or

suitable for growing trees, and owned by any private individual, group, association, corporation, Indian tribe, or other private legal entity," which is broader than the definition in some state forest practice rules.

The Application Process

A person who qualifies as an "eligible material owner" must register as such with the county FSA office where their farm records are located. After the registration is complete, the registered biomass owner can make a delivery to a qualified biomass conversion facility, notify the FSA office of the delivery and request a matching payment. The delivery is then verified by the local FSA office and the matching payment is disbursed to the biomass owner.

Matching Payments

BCAP is a dollar-for-dollar matching program; it matches the amounts received by an eligible material owner from a qualified biomass conversion facility up to \$45 per dry ton, for a period of two years. The popularity of the program has made many wonder if there is going to be enough federal money available to make matching payments to all interested biomass owners. The federal law authorizes CCC to use "such sums as necessary" out of its funds to carry out BCAP, including the matching payments. The cost for the program is estimated at \$70 million over the life of the Farm Bill, but this number may increase based on how many biomass producers participate in the program and what the payment levels will be. Anticipating that funding may run out sooner rather than later, many landowners and biomass conversion facilities have already registered with the FSA in the few short months since the rules were published. As of October 7, 2009, more than 80 biomass conversion facilities have registered under BCAP nationwide, with the States of California and Maine leading the race. This raises questions about a possible regional allocation of BCAP funds in the future and the criteria used for such allocation. While the FSA currently does not provide any guidance on this subject, it appears that the payments under the program, at least for now, are made on a rolling basis.

Conclusion and Implications

The fast implementation of the matching payments portion of BCAP has provided a timely stimu-

lus to the biomass industry. It is yet to be seen what the long term effects of the program will be. Will the biomass market be able to survive on its own when the matching payments phase out? How will the matching payments influence the pricing of renewable biomass in the long term? What type of renew-

able biomass will become the market leader? What rules will apply to the project area portion of BCAP? What will the final Environmental Impact Statement for BCAP look like when it is completed by the FSA? These are some of the issues that will be fleshed out in the months to come. (J. Aginsky/B. Flanagan)

UNDER-ESTIMATED ADAPTATION COSTS COULD FRUSTRATE INTERGOVERNMENTAL EFFORTS AT TACKLING CLIMATE CHANGE IN COPENHAGEN

A report published by the International Institute for Environment and Development and the Grantham Institute for Climate Change at Imperial College London in August 2009 has revealed significant miscalculations in estimates related to climate change adaptation issued by the United Nations Framework Convention on Climate Change (UNFCCC) in 2007. The report indicates that adaptation costs may be as much as two to three times greater than the UNFCCC originally forecast. The timing of this information is critical given the pivotal role adaptation will play in the upcoming UNFCCC negotiations this December at the 15th annual Conference of the Parties in Copenhagen, Denmark, where key government officials will meet to address climate change and hopefully reach an agreement on a new post-Kyoto climate change regime.

Background

Every year the Conference of the Parties to the United Nations Framework Convention on Climate Change meets to review the implementation of the convention. The convention set the framework for intergovernmental efforts for tackling climate variability. The main objective of the convention is to stabilize greenhouse gas concentrations at a level that would prevent dangerous anthropogenic interference with the climate system. One hundred ninety-four countries have ratified the convention. The next conference of the Parties will convene this December in Copenhagen.

The December conference carries unprecedented import for 2009, mostly because the Kyoto Protocol—the governing authority on carbon emissions reductions—will expire in 2012. The Kyoto Protocol,

which became effective in February 2005, established binding greenhouse gas (GHG) emissions reduction targets for 37 industrialized countries, as well as the European community. The Protocol placed a heavier burden on developed nations (as those countries have been principally responsible for the high level of GHG emissions in the atmosphere), calling for a reduction of 5.2 percent below 1990 levels. The first commitment period for those reductions was set for the years 2008 through 2012.

To some, Copenhagen is the singular opportunity to reach a decisive global solution to climate change to ensure governments have sufficient time to implement adaptation and mitigation measures beyond 2012.

Adaptation Costs Have Been Underestimated

Adaptation is a cornerstone of global cooperation on climate variability. Indeed, the role of adaptation in middle and low-income countries and the costs involved in implementing adaptation strategies is taking a central position in ongoing UNFCCC negotiations on climate change. Developing countries, which are the least responsible for the global greenhouse gas emissions, are the most affected by climate change impacts, and require sufficient financing to account for their adaptation and mitigation needs. Examples of adaptation strategies include weather advisories, grain storage and emergency feeding stations, coastal protection, protected water supplies, insect outbreak controls, and power supply diversification, to name a few.

Developing countries want to see financial commitments on the table in time for the December conference.