



Getting rules of the road for Bioenergy Development

There is no shortage of good bioenergy-related ideas in British Columbia--the challenge for potential players is getting some clarification from government and BC Hydro on the rules of the road.

By Jim Stirling

Bioenergy is the forest industry's new darling. It embraces everything a new love should: bright, attractive and full of promise.

But as the partners begin to understand each other better, they glimpse the work ahead to make a go of the relationship.

The manufacture of wood pellets for energy production based upon biomass residues is one segment of the new industrial future that has developed. It too, however, has issues surrounding fibre access and cost to solve. Add marketing challenges to wood fibre access and costs and a trio of potential troublemakers insert themselves into the otherwise rosy scenario.

In British Columbia at least, there's no shortage of good bioenergy-related ideas and plans to contribute to the emerging industry.

It's an industry that observers agree has significant potential for expansion and employment creation.

But one of the key factors stalling realization of some of that potential is a clarification of the rules of the road.

"It's not so much about access to fibre as who bears the risk and cost of harvesting that fibre," suggests Harvie Campbell. "BC Hydro needs clear direction and a mandate on how to address the risk management aspect of bioenergy projects." Campbell is executive vice-president with Pristine Power.

For example, continues Campbell, if a sawmill operation closes down, for whatever reasons, the supply of mill residues, logging debris and devalued pine beetle wood would be curtailed and replacement volumes would cost considerably more to acquire. Those fibre supply sources provide the potential feedstock for bioenergy-fired power plants.

And bioenergy-fired power plants are precisely what Pristine Power proposes with its BioEnergy Network.

It comprises the Mackenzie Green Energy Centre, a 65-megawatt power project, along with 30-megawatt plants planned for each of Burns Lake, Fort St. James and Merritt in B.C.'s southern interior.

The proposed bioenergy power plants would create new jobs and investment in the forestry-dependent communities. Each of the three smaller projects is projected to cost \$120 million to develop and create up to 72 full-time jobs, most of them in harvesting, transportation and fibre management.

The provincial Ministry of Forests and Range also has an important nurturing role to perform in the development of bioenergy projects. That is apart from working closer with its Crown Corporation (BC Hydro) to help clarify and take out some of the bumps on the expansion path ahead.



Earlier this year, Pat Bell, B.C.'s forests minister, gave notice of a couple of new licencing plans designed to help the bioenergy sector.

The first is what Bell terms "a receiving licence". He says it will contain similar features to the pulpwood agreements initiated in B.C. during the early 1960s. The basic principle of the old pulpwood agreements was to improve forest utilization by guaranteeing the availability of fibre to sustain a wood pulp producing industry.

The vision was to have sawmills operate in harmony with pulp and paper product manufacturing facilities.

Bell says his "receiving licences" will be directed at those wanting to invest and create jobs in the bioenergy sector.

The basic principle behind the proposed receiving licences appears to give biomass users an annual allowable cut allocation. That AAC can then be added to that of an existing tenure holder which could use it to have harvested the lower grades of fibre that while unsuitable (because of poor quality and defects) for dimension lumber production, is suitable feedstock for pulp, pellets, bioenergy, biofuel and biochemical production among other potential users.

"Biomass producers need to have some leverage. This is a strategy that not only benefits the new players....but it also supports the primary sector by maximizing the capacity of the pine beetle volumes," outlines Bell.

In concert with the receiving licences, the minister also introduced a "stand as a whole" timber pricing model. The defining principle here is to price all the timber appearing in a specific harvest area as compared with the "tree by tree" method. The rationale of such a pricing system is to further encourage the removal of low volume stands, components for conversion to the range of wood products apart from dimension lumber.

The Ministry of Forests has indicated the Prince George, Vanderhoof and Cariboo regions will be the first to experience wide scale "stand as a whole" system incorporation.

The devil, as ever, lurks in the details of how the receiving licence and stand as a whole systems are structured. Not the least of the issues is whether 'biomass' licences will be allocated in an open bid process. Observers suggest there also needs to be a definition of the responsibilities and obligations of the licence holders.

A recently released study from the Forest Products Association of Canada recommends a close, integrated relationship between the traditional industry and those in the bio-product industries. A stronger return on capital and job creation is a product of such symbiosis, concludes the association in its study.

As late as mid-March, Bell was only saying his new proposals will be introduced "in the next few months." The Forest Products Association of Canada injected a dose of urgency into its report. Canada is not the only one to recognize the new industries' potential. The study notes the U.S. and other countries are readjusting their economies to capture shares of the wood bio-product pie. And, significantly, the study says other economies are actively trying to attract the financial investment to make the industries grow.

The study says Canada needs to commit capital and cement partnerships to take advantage of future opportunities. Those



opportunities also include more participation by Canadian companies in carbon credit production through “greener” energy solutions.

Right now, continues the study, Canada lags in biomass energy investments, achieving a meagre two per cent of global financial commitments during the last five years.

Meanwhile, in its latest federal budget document in March, the Canadian government says it plans to give the national forest industry \$100 million during a four year period in part for new--though unspecified-- “green” energy technologies.