

## Biomass Crop Assistance Program (BCAP)

### Overview

The Biomass Crop Assistance Program (BCAP), created in the 2008 Farm Bill, is a primary component of the domestic agriculture, energy, and environmental strategy to reduce U.S. reliance on foreign oil, improve domestic energy security, reduce carbon pollution, and spur rural economic development and job creation. BCAP provides incentives to interested farmers, ranchers and forest landowners for the establishment and cultivation of biomass crops for heat, power, bio-based products and biofuels.

BCAP will address a classic chicken-and-egg challenge: if commercial-scale biomass facilities are to have sufficient feedstocks, then an established, large-scale energy crop source must exist. Conversely, if profitable crop production is to occur, then a viable consumer base must exist to purchase the product.

With the enactment of the updated federal Renewable Fuels Standard, which requires 36 billion gallons of advanced biofuels in the national fuel supply by 2022, new crops must keep pace with these revised federal targets. Many bioenergy crops need several years to become established. Many bioenergy facilities need several years to reach commercial scale. BCAP serves as a catalyst to unite these multiple dynamics by reducing the financial risk for landowners who switch from familiar, revenue-generating crops to new, unconventional crops in preparation for these emerging markets.

- Crop producers and bioenergy producers will be able to team together to submit applications to USDA to be selected as a BCAP project area.
- If selected, crop producers will be eligible for reimbursements of up to 75 percent of the cost of establishing a bioenergy perennial crop. Producers also can receive up to 5 years of annual payments for grassy crops (annual or perennial), and up to 15 years of annual payments for woody crops (annual or perennial).
- Assistance for the collection, harvest, storage and transportation of biomass to biomass conversion facilities will be available for 2 years, per producer, in the form of a matching payment for up to \$45 per ton of the delivery cost to the facility.

### Highlights

#### • Expenditures

During the Notice of Funding Availability (NOFA) period, \$250 million was expended during roughly one quarter year of BCAP matching payments. Refinements to the BCAP final rule has the BCAP cost-benefit analysis estimating that total expenditures over 15 years will be \$461 million.

#### • Blue, White and Green-Col- lar Job Creation:

The Record of Decision on the BCAP Environmental Impact Statement estimates the total

impact from implementation to be an estimated \$88.5 billion in economic activity.

#### • New Energy Crop Feed- stocks

BCAP will reduce the financial risk of producers who support emerging biofuels markets. Crops include, but are not limited to, switchgrass, miscanthus, fast-growing woody poplar, jatropha, algae, energy cane, and pongamia.

#### • Enhanced stewardship and conservation measures

1. Under BCAP, biomass must be certified to have been collected and harvested only with an approved conservation, forest stewardship, or similar plan to protect soil and water quality and preserve land productivity into the future.
2. Harvesting must occur with an approved harvest plan.
3. BCAP project areas cannot occur on native sod.
4. All crop collection, harvesting, and transportation must be in strict accordance with invasive plant species protection.

#### • Protects existing markets

Eligible materials may not qualify for matching payments for BCAP purposes if USDA determines that in those distinct localities that the materials are used for pre-existing markets.

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- **Provides feedstock neutrality**

BCAP fully maintains the eligibility of both woody and herbaceous biomass for energy purposes, and the objectives of heat, power, biofuels and bio-based products all remain supported by BCAP, as required by statute.

- **Kick-starts liquid cellulosic biofuels to meet Renewable Fuel Standard targets**

BCAP provides bonus incentives for the cultivation of cellulosic biofuels that have 60 percent lower lifecycle greenhouse gas emissions.

- **Ensures additional production**

1. Promotes the cultivation of new biomass for new purposes.
2. Doesn't penalize existing users of biomass for heat and power.
3. Disallows windfalls or undue financial gains for producers seeking payment for using their own waste products in existing conversion practices.

- **Two year eligibility**

Under BCAP, prior NOFA period participants are not penalized. Previous participation counts against the "clock", but the clock stopped between the last matching payment received under the NOFA and the next matching payment received after the final rule.

- **Matching payments for eligible materials.**

1. BCAP provides for matching payments to eligible material owners at a rate of \$1 for each

\$1 per dry ton paid by a qualified biomass conversion facility, in an amount up to \$45 per dry ton. An eligible material owner may be a producer of an eligible crop or a person or entity with the legal right to collect or harvest eligible material. By law matching payments may be made to eligible material owners for a maximum of two years.

2. Eligible materials remain the same; qualification for matching payments is based upon the sequence of collection, harvest, storage, transportation and delivery.
3. To qualify for matching payment, eligible materials must be collected or harvested directly from the land before transport and delivery. Materials cannot be "collected or harvested" after transport and delivery, nor "collected or harvested" by separating from a higher value material in order to be used for heat, power, bio-based products or biofuels.
4. Woody eligible material collected or harvested must come directly from the land and if outside BCAP project areas must be a byproduct of preventive treatments that are removed to reduce hazardous fuels, to reduce or contain disease or insect infestation, or to restore ecosystem health. All eligible material must be harvested in accordance with an approved conservation, forest stewardship, or equivalent plan.

- **Establishment payments**

Producers can get up to 75 percent of the costs of establishing a perennial crop. This does not include equipment. Annual crops

are not eligible. (Annual crops, however, are eligible for annual payments.)

- **Annual payments**

1. Biomass producers in BCAP project areas can receive annual payments up to 5 years for herbaceous biomass (annual and perennial) and up to 15 years for woody biomass (annual and perennial).
2. Upon sale of the crop, annual payments are reduced by:
  - a. 1 percent if the biomass is sold for cellulosic biofuels defined by RFS regulation as having 60 percent lower lifecycle greenhouse gas emissions
  - b. 10 percent if the biomass is sold for advanced biofuels
  - c. 25 percent if the biomass is sold for heat, power or biobased products
  - d. 100 percent if the biomass is sold for anything other than heat, power, biofuels or biobased products.

- **Requirements on Arm's Length Transactions / Related Party Transactions**

Replaced with a requirement that eligible material must be purchased at fair market prices regardless of the relationship between buyer and seller. This provision allows BCAP participation for startup and other vertically integrated operations, but prevents efforts to defeat the purpose of BCAP by inflating biomass prices to gain higher matching payments.

### For More Information

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For more information on BCAP, please visit FSA's BCAP website at <http://www.fsa.usda.gov/bcap>.

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