

Biomass tax credits stabilized wood prices, fueled economic benefits

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The first full year of Oregon's tax credits given to biomass collectors and producers — as administered by the Oregon Department of Energy — helped stabilize prices for wood-based fuel, supported as many as 73 jobs and created economic benefits that exceeded the program's cost, researchers report.

The biomass tax-credit program in 2010, as applied to [forest biomass](#), created "an average of about five jobs, nearly \$250,000 in wages and benefits, and over \$850,000 in total economic activity per 10,000 BDT [bone dry ton]," concluded the five-member research team. The overall wood-fuels market, according to the report, "likely supported about 300 jobs, more than \$14 million in wages and benefits, and more than \$50

million in economic activity in Oregon."

The findings were published in a working paper titled "Impacts of the Biomass Producer or Collector Tax Credit on Oregon's wood fuels market and economy." The Ecosystem Workforce Program of the University of Oregon's Institute for a Sustainable Environment prepared the report for the state Department of Energy.

The focus of the report was aimed specifically at one segment of the wood-fuels market — forest biomass, made up of logging debris, known as slash, and small-diameter materials generated from thinning and other forest-health projects.

Because of the state's economic conditions, including a downturn in lumber produced by mills as housing starts dropped off, "the tax credit helped this market stay competitive at a time when it likely would have not been able to do so," said lead author Max Nielsen-Pincus, a faculty research associate in the Ecosystem Workforce Program.

Researchers examined data related to those who operate certified wood-to-energy facilities and those who collected, transported and delivered the materials to the facilities. The credit was created in 2007 by the Oregon Legislature and was originally administered by the Oregon Department of Revenue. Collectors of forest biomass could get \$10 for each BDT of forest biomass they delivered to a bioenergy facility. About 85 percent of the \$6.6 million of tax credits had been awarded to forest-biomass collectors.

These collectors hauled biomass materials an average of 103 miles to facilities that, in turn, paid from \$30 to \$45 per BDT, with the higher payments coming from facilities in Washington and northwest Oregon.

Economic activity generated from the forest biomass tax-credit incentive

likely ranged from 1.0 to 2.4 times the cost in foregone tax revenues. This is based on a statistical model used to generate scenarios to predict wood fuel prices and capture uncertainties related to forest biomass entering in marketplace. The most-conservative model generated results that concluded the economic impact to the state matched dollar for dollar what it cost the state in foregone tax revenue.

"We hope to continue this study to determine the results of the tax credit in 2011," said study co-author Matt Krumenauer, a senior policy analyst at the Oregon Department of Energy, which funded the research.

In 2010, the USDA Biomass Crop Assistance Program and the American Recovery and Reinvestment Act allowed the Forest Service, Bureau of Land Management and private landowners to subsidize the transfer of biomass off some lands. The federal programs were mostly phased out in 2011.

"We hope that this report will contribute to policy conversations about how to best foster renewable energy development and valued-added wood products in Oregon," said Cassandra Moseley, co-author and director of the Ecosystem Workforce Program at the UO.

"Between the state and federal programs, it looks like we're creating an economic lever that's causing more material to get out of the forests and into the renewable energy sector," Nielsen-Pincus said at a meeting in Portland, Ore., where the results were first unveiled. "In all cases you create some jobs and economic activity, more than the program costs, mostly by turning logging slash into an energy source."

A fourth co-author on the working paper was Katherine MacFarland, a former EWP research assistant who now is a presidential management fellow focusing on biomass policy with the USDA Forest Service.

The [working paper](#) and [abbreviated summary](#) document (both in PDF format) are available at the Ecosystem Workforce Program (EWP) website.

Provided by University of Oregon

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