



CAN BIOMASS COMPANIES STAY AFLOAT?



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Stand4Forests Report Series

Investor reports say that the wood pellets are profitable. But, behind record profits is a habit of getting subsidies just to stay open.

Here is the truth:

- European subsidies drive wood pellet exports from the US South
- Drax, the UK's largest bioenergy producer, received nearly \$1 billion dollars in 2019 to purchase US wood pellets.
- Enviva, the world's largest wood pellet supplier, has received millions to create a handful of jobs while polluting the surrounding area.
- Wood pellets can't survive without government payments. "Successful" wood pellets are propped up by government incentives and bailouts.

We need to act quickly on climate change. We can't support the polluting and forest-destroying wood pellet industry at the expense of truly low-carbon technologies like wind and solar.

Why Are Wood Pellet Exports Happening?

Worldwide climate treaties have encouraged countries to use bioenergy to meet climate goals. Climate treaties like the 1997 Kyoto Protocol say that carbon emissions from burning wood pellets are only emissions for the country of origin.¹ However, the United States never ratified the Kyoto Protocol.² Therefore, imports from the US are considered "carbon free" under this and other climate treaties. Unfortunately, this means that carbon isn't actually counted anywhere.

This loophole has been created time and time again for wood pellets. The "default" is to count wood pellets as carbon neutral.³ Wood pellets are counted as carbon neutral despite repeated warnings from scientists,⁴ concerned citizens,⁵ and even the IPCC,⁶ the world's leading experts on climate change. *The IPCC says, "The production and use of biomass for bioenergy can have co-benefits, adverse side effects, and risks for land degradation, food insecurity, GHG emissions and other environmental and sustainable development goals."*

How Many Subsidies Do Wood Pellet Companies Get?

Wood pellet companies seem successful because they use subsidies to support themselves. These payments come from one of three places:

- Foreign governments with renewable energy goals, who don't understand the harmful impact of wood pellets
- The federal US government, which provides large research and

development grants

- State and local US governments, believing that wood pellet companies will bring clean, high paying jobs to the area.

It can be hard to track down information about subsidies because they come from many places. Here are some examples of subsidies to wood pellet companies:



It Starts Across The Ocean

The UK company **Drax** is an example of what can go wrong with wood pellet subsidies. **In 2019, Drax received \$965 million dollars in subsidies for wood pellets produced mostly from forests in the US South.**⁷ Drax has contracts with at least eight American wood pellet companies to receive 8 million metric tonnes of pellets annually.⁸ By our calculation, this means that Drax impacts 189,000 acres of Southern forests each year.⁹ To make matters worse, Drax's total subsidies received in 2019 was actually larger than their gross profits.⁷ In other words: without subsidies, Drax wouldn't even be profitable. Subsidies to Drax and other European energy companies drive the American supply of biomass.



American Subsidies Happen, Too

In the United States, **Enviva** is the largest producer of wood pellets for export, and also receives the most money from subsidies. **Enviva and its various child companies received \$7.6 million USD in subsidies in a five year period (2012-2016).**¹⁰ These subsidies include \$672k in Mississippi, \$865k in Virginia, and a whopping \$6.1 million USD in North Carolina. Sampson County in North Carolina was the biggest contributor, providing \$2.9 million USD to Enviva. Northampton County gave Enviva nearly \$350k. The remainder of the money, \$2.87 million, came from the Department of Commerce through four separate grants.

What About Wood Pellets Burned Inside The Country?

Transporting wood pellets across the ocean only adds 10% to the final greenhouse gas emissions. Therefore, burning wood pellets in the US is not that much better in terms of harmful greenhouse gases. However, large-scale burning of wood pellets is rare in the United States. Why? It's simple: the costs of burning wood pellets aren't going down. Without subsidies, wood pellets can't compete with other forms of energy.

Bioenergy facilities have a very short lifespan in the United States, especially without government intervention. Despite repeated failures, the bioenergy industry continues to lobby for this expensive and outdated technology.

Florida

In Gainesville, FL, a bioenergy plant had some of the highest electricity rates in the state. This hurt low income residents as well as made Gainesville less attractive for businesses.¹¹ As a result, the Gainesville biomass plant mostly sat idle. **Taxpayers were giving around \$70 million per year to the facility while receiving no electricity in return.**¹² The city ended up purchasing the facility to get out of a bad contract. Now, the city operates it on a much smaller scale, in combination with a number of other, alternative energy producing facilities.

Maine

In Maine, the forest industry was dying. Multiple paper mills and other forest products companies had closed. This left a gap in employment for people trained in logging. Bioenergy facilities provided a way for those people to keep jobs; it also provided an "outlet" for harvested wood. However, because burning wood pellets is inefficient and expensive, Maine had to provide subsidies to keep the biomass facilities afloat.¹³ **In one case, the state of Maine paid over \$150,000 for each employee retained.**¹² In 2018, Maine awarded yet another large subsidy to a biomass combustion plant, despite it failing to meet benchmarks set by the state in previous bailouts.¹⁴

California

Five bioenergy facilities closed in California as wind and solar became cheaper to produce electricity.¹⁵ These biomass facilities were originally in place to burn agricultural waste. However, the logging industry thinks that these facilities can be used to burn downed trees and logs from forests nearby. However, logging and transporting is prohibitively expensive in the rough terrain of the California mountains. Additionally, logging doesn't actually prevent fires.¹⁶

Successful Biomass = Subsidized Biomass

Across the country, it is clear that the only successful wood pellet companies are subsidized. While cleaner and truly low-carbon technologies, like wind and solar, are competitive in the electricity generation arena, bioenergy is continuously propped up by local and state governments eager to appease the forestry industry.

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