

# Forest Biomass Supply Contracts



WASHINGTON STATE DEPARTMENT OF  
**Natural Resources**  
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Photo: Aaron Toso/DNR

## 2SHB 2481 Implementation Fact Sheet

Building on the legislation passed in 2009 that enabled the Washington Department of Natural Resources to create pilot projects to demonstrate the utility of forest biomass as an energy feedstock, the Washington State Legislature passed 2SHB 2481 during the 2010 session. The bill enables and requires the DNR to initiate a number of activities that will foster the continued growth of Washington's forest biomass-to-energy sector.

The bill authorizes the agency to enter into contractual agreements with businesses to convey forest biomass from public lands in five ways (See Section B):

1. The agency may authorize the separate sale of biomass within valuable materials contracts or outside of the those contracts.
2. The agency may enter into long-term competitive contracts for forest biomass for an initial term of up to five years with the opportunity for three additional five year contract renewals.
3. The agency may enter into direct sales contracts without public auction based on procedures adopted by the Board of Natural Resources.
4. The agency may enter into a fifteen year initial contract term for biomass with contracting entities making a qualifying capital investment of at least \$50 million under certain circumstances.
5. The agency may lease state lands for the purpose of the "sale, exploration, collection, processing, storage, stockpiling, and conversion of biomass" into energy and energy products.

The effects of the legislation are significant in that long-term contracts can provide investors with the necessary information to secure funding for commercial-scale forest biomass-to-energy projects. These authorities also provide a clear framework for DNR to contribute toward green energy development in a way that is environmentally sustainable, generates new revenue for trust beneficiaries, creates jobs and helps maintain working forests. Since the bill's passage, a number of businesses have expressed interest in long-term contractual arrangements for forest biomass from DNR state trust lands. However, DNR must complete a number of com-

***Portion of  
1 million dollar  
grant  
from USFS  
will help  
DNR study  
biomass  
availability  
in Washington.***



***Supply  
estimates to  
include all  
forestland  
owners  
statewide.***

plex steps before exercising its new authority. The following sections explain the requirements set forth in 2SHB 2481 and provide a progress report on implementation.

### ***Section A: Forest Biomass Supply Assessment***

The DNR, prior to entering into a long term contract for biomass from public lands, must first “complete an inventory of the available biomass in the area that will be subject to the agreement” 2SHB 2481 Section 2(1). This requirement does not apply to the pilot projects authorized in the 2009 legislation. The inventory must contain “an estimated amount of the forest biomass available in the area that will be subject to the agreement and a determination of the ecological and operational sustainability of the volumetric limit established by the agreement under Section 3(5).”

In July 2010, DNR received a \$1 million grant from the U.S. Forest Service (USFS), a portion of which is intended to complete a state-wide forest biomass supply study. The study will help assess forest biomass availability and sustainability throughout Washington State as well as fulfill DNR’s specific requirements under Section 2(1). The grant will, in addition to the supply study, enable DNR and partners to test methods for making forest biomass material available from broad, multi-landowner areas with the aim to improve the economic feasibility of protecting forests from wildfire and restoring forest health.

The forest biomass supply assessment will build on previous biomass supply analyses, refining and improving upon them by using finer-scale data and evaluating individual land managers’ objectives, operational and economic factors for biomass availability, and environmental sustainability. A range of supply estimates will be developed encompassing all forestland owners statewide, and will further break down these estimates within a series of logical supply tributary areas. The project will also result in the development of a biomass calculator tool that allows for customized biomass availability estimates based on user-defined inputs.

DNR will partner with state and federal research institutions and agencies to conduct the study. Key stakeholders will be involved in study development. A competitive Request for Proposals was issued in August 2010 for qualified firms and organizations to bid on completing the study.

Because 2SHB 2481 requires DNR to complete a biomass supply assessment before entering into long-term contracts for biomass supply from DNR managed lands, an aggressive timeline for the project has been developed. A contractor will be selected by October 2010 and will be responsible for completing the project by mid-2011, with interim reports provided to the agency throughout the research process.



**Contracting  
process  
planned to  
begin by late  
Spring 2011**

## **Section B: Long-Term Forest Biomass Contracts from DNR-Managed Lands**

In addition to a supply study, a number of additional actions must be taken by the agency prior to being able to implement this new biomass contracting authority. The legislation outlined five options for DNR to transact forest biomass from public lands. Each option requires critical development work by the agency. DNR is working to complete these development steps with significantly reduced staff and budget that have resulted from declining DNR timber sale revenues.

The legislation requires that DNR complete the following steps prior to exercising the authority to enter into contracts for biomass from DNR-managed lands:

- **Develop new contract documents, new clauses for existing contracts and new contracting methods.**  
(Status: In-progress)
- **Allow for differentiation between timber and forest biomass products for biomass contracts to transact biomass under existing timber contracts.**  
(Status: In-progress)
- **Develop the procedures required for biomass contracts. These procedures must:**
  - ▶ Ensure that biomass being harvested from public lands is done so in a manner that “retains organic components of the forest necessary to restore or sustain forest ecological functions.”
  - ▶ Include “utilization standards and operational methods in recognition of the variability of on-site conditions.”
  - ▶ Authorize the agency to “unilaterally amend the volume to be supplied” with six months notice to the contracting party.(Status: Not yet initiated)
- **Develop procedures for Board of Natural Resource adoption, for direct sales of forest biomass without public auction, that ensure a competitive market price and accountability.**  
(Status: Not yet initiated)

### **Implementation Timeline**

DNR is committed to moving forward with this new authority swiftly and responsibly. The supply study is planned to reach completion in mid-2011 with interim reports containing sufficient data to begin the contracting process by late Spring of 2011.