

BC Forest Industry Working Group on Climate Change

Recommendations to the WCI

on the

**“Approaches to Electric Sector Cap and
Trade”**

January 31, 2008



The BC Forest Industry Working Group on Climate Change

The BC Forest Industry Working Group on Climate Change (the Working Group) is an industry co-operative made up of representatives of British Columbia's pulp and paper mills, sawmills and the province's two major forestry associations.

As a group, we work to present an understanding of the value of our sector. As one of BC's largest industrial employers and single largest consumer of electricity, our sector is the backbone of many communities and contributes extensively to the provincial economy.

We also work to ensure that forest and related provincial policy is created and implemented in a way that fosters growth and increased competitiveness for our sector and for BC as a whole. We are committed to our industry and believe that it will be a significant contributor to the BC economy for years to come.

Our sector has implemented dramatic improvements over the past decade including sustainable forest management practices, energy reduction initiatives and fuel switching projects. The sector has delivered the strongest greenhouse gas record in the province with total current reductions of about 50% compared to 1990 levels; equivalent to the removal of 2.5 million tonnes of carbon. The sector is currently focusing on opportunities to create new biomass products, generate more carbon-neutral biomass based power and provide solutions to BC's pine beetle epidemic.

Members of the Working Group include:

AbitibiBowater

Canfor Corporation

Canfor Pulp Limited Partnership

Catalyst Paper

Cariboo Pulp

Coast Forest Products Association – representing 22 BC forest product companies

Council of Forest Industries – representing 50 BC forest product companies

Domtar Pulp and Paper Products

Howe Sound Pulp and Paper

Mercer International

Neucel Specialty Cellulose

Pope and Talbot

Tembec Enterprises

Tolko Industries

West Fraser

1 Point of Regulation

The Working Group has worked with the Canadian Federal government using the model of **generator based cap and trade programs** and supports this approach. We believe that operational decisions that ultimately impact carbon footprint are best left up to generating facilities. This approach also makes regulation easier for local jurisdictions and harmonizes treatment of electricity generators with other carbon dischargers in the cap and trade system. The free market will decide whether or not their power is satisfactory for purchase at its price point in the new carbon economy. The establishment of generator based approaches in the EU and the Eastern US RGGI program also point to its proven effectiveness.

2 Overall Approach to Biomass Generated Power

The BC forest products industry self generates 4.5 million MWhrs of electricity annually. With this 900 MW of biomass generation capacity, the BC industry is already **North America's single largest producer of biomass power**. Estimates place the renewable portion of the energy generation at about 85%. Further, there are numerous new power generation projects under sector consideration that will wheel more biomass based power onto the grid in BC. WCI policy must anticipate potential growth in this portion of BC's electrical makeup.

The current WCI development of electrical generation cap and trade integrates biomass generated electricity with the rest of the electricity generation sector. The BC forest industry is concerned that the interests of biomass cogeneration may not be properly considered or understood by the Electricity Subcommittee.

2.1 Benefits of biomass cogeneration

While cogeneration (combined heat and power) offers significant environmental benefits over straight power generation, the carbon benefits of biomass fired generation and cogeneration are substantial compared with other fuel sources. This incremental benefit should be recognized in the **development of carbon emissions standards for biomass based electricity**. The Working Group does not believe that a "one size fits all" approach should be adopted. Rather, emissions **allowances should be based on carbon intensity of the fuel in use**. We urge the WCI to establish separate carbon allowances, by which the cap and trade program can recognize the full benefit of biomass use. Under this approach, the Working Group believes that the true value of carbon neutral biomass can be realized.

2.2 Alberta Cogen model as an alternative approach

The Canadian Federal government is leaning in favour of the cogeneration model that has recently been developed by the Alberta government. The Working Group supports this approach. The Alberta treatment targets fossil fired cogeneration facilities by applying **emissions targets based on a common carbon intensity target for all facilities** whether biomass or fossil powered. The policy recognises the outstanding contribution biomass cogeneration makes in the reduction of carbon emissions by regulating fossil power generation and biomass cogeneration on the same regulatory platform. Biomass benefits from the single approach since its carbon intensity per unit of electricity is much lower than fossil fired power.