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June 9, 2015

Honorable Thomas Vilsack  
Secretary of Agriculture  
U.S. Department of Agriculture  
1400 Independence Avenue SW  
Washington, DC 20250-3700

Dear Sec. Vilsack:

On behalf of the national non-profit Biomass Thermal Energy Council (BTEC) and its 136 members, I am writing today to inquire about how and when USDA intends to revise Section 9005 implementing regulations to more equitably distribute production payments to all qualifying advanced biofuels under the Bioenergy Program for Advanced Biofuels, consistent with statements made by you before the Senate Agriculture Appropriations Sub-Committee on March 17 of this year.

First let me commend you for your leadership on biomass thermal policy. No other Secretary has overseen such a rapid—and welcome—turn towards the recognition of sustainable biomass feedstocks and advanced heating systems and their contributions to rural communities. These positive developments include the launch of 20 State Wood Energy Teams, the establishment of a Memorandum of Understanding between the department and groups like BTEC, and support of high-profile events like National Bioenergy Day. We were also very pleased to hear your pledge to Sen. Susan Collins during the March 17<sup>th</sup> Senate Appropriations Committee Meeting to revisit the incentive structure of the Sec. 9005 Farm Bill Program, the Bioenergy Program for Advanced Biofuels.

During that hearing, you pledged to work with your staff to “find the sweet spot” for this program’s payment structure. As you know, since Sec. 9005’s interim rule change in 2011, the overwhelming majority of production payments have gone toward liquid biofuel producers. The existing payment penalties per/BTU for solid forest based biofuels used in thermal applications (e.g. pellets) of 85% has resulted in payments to these producers never reaching the meager 5% overall payment ceiling. The justification for these limitations arose from the 2008 Farm Bill report language that asked that your department, “consider competing market outlets when establishing the payment rate for such feedstocks.”

The policy landscape—and the justifications for these penalties—has shifted dramatically over the last four years. Harsh winters, volatile fossil fuel prices, and improved heating technologies have resulted in more Americans heating with biomass than any other renewable fuel. U.S. pellet producers generate product throughout the year to meet the seasonal winter heating demand, and so producers often hold significant inventory during the summer and fall months to meet traditional winter heating season needs, at considerable carrying cost. Incentives to increase production throughout the year would allow pellet producers to hedge the risk of carrying massive inventory into the heating seasons. If structured to reflect the current market, the Sec. 9005 program could provide this certainty to expand and stabilize production.

Today, we seek your guidance on how and when the department intends to revise Sec. 9005’s incentive program structure, consistent with your stated intention to Senator Collins. Your department has demonstrated its clear and substantial support for biomass thermal fuels and technologies. An honest appraisal of the program’s original intent against its present implementation would follow the department’s momentum towards a broader and more equitable policy platform for bioenergy across the spectrum. We thank you again for your consideration, and please do not hesitate to contact me with for any questions concerning our request.



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Sincerely,

A handwritten signature in blue ink, appearing to read "Joseph Seymour", with a long horizontal flourish extending to the right.

**Joseph Seymour**  
Executive Director  
Biomass Thermal Energy Council  
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CC: Senator Susan Collins (R-ME)