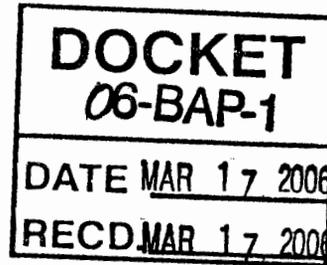


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March 17, 2006

Ms. Susan Brown, Project Manager
California Energy Commission
1516 Ninth Street – MS 41
Sacramento, CA 95814-5512

Re: Comments Regarding Docket No. 06-BAP-1 - “Draft Bioenergy Action Plan”

VIA FAX AND EMAIL

Dear Ms. Brown:

Covanta appreciates the opportunity to participate in the March 9th Workshop and comment on this important document. Covanta owns 8 BioEnergy Facilities in California, 4 Solid-fuel Biomass and 4 Biogas, and operates the Crows Landing Waste-to-Energy facility. We feel that a strong statewide Bioenergy Action Plan (the Plan) is absolutely critical if California is to achieve its aggressive RPS and GHG targets, reduce reliance on fossil fuels for both power and transportation fuels, and resolve a host of other environmental issues related to biomass waste disposal and forest accumulation..

First, I want to say that Covanta supports the verbal and written comments of the California Biomass Energy Alliance, the California Forestry Association, and Dr. Gregg Morris of the Green Power Institute. We are all encouraged to see the Plan, as the existing California bioenergy producers have been pushing for years to get our state to develop a comprehensive biomass policy.

Our single biggest concern is that the Plan be crafted to promote **true action**, not just more discussion, more studies, or more money for further research as past efforts have done. Bioenergy, particularly electrical energy, in California is truly at a crossroads. One turn leads to further industry decline with a dismal future for developing bioenergy technology. The other turn however, to a vibrant existing industry and a bright future for commercialization of new and emerging bioenergy technologies. California policy makers need to seriously ask the question – *If we are the “national leader in the production of biomass power” (page 1), why has the industry declined 40% in the past 15 years, and why is there even a need for an action plan?*

After more than 20 years in the California bioenergy business, Covanta suggests there are 2 primary reasons:

- 1) There is little financial recognition of the non-electric benefits of bioenergy in state policy (bioenergy is expensive because it is the only renewable technology where the feedstock must be gathered, processed, and transported).
- 2) There is little financial recognition of the detrimental environmental impacts of traditional biomass disposal practices – namely open-burning, landfilling, and forest accumulation.

Simply put, current market energy prices are not sufficient to provide enough financial incentive to forest landowners, farmers, and waste companies so they will alter their traditional behavior of using a match or a landfill to dispose of unwanted biomass, or leaving excess wildfire fuel in our forests rather than treat and remove it.

This “market disconnect” combined with a complete lack of direction in state policy are the primary cause for the 40% decline in the existing biomass power industry. Equally as important, it is also the single largest threat to expansion of bioenergy in California, both for production of power and transportation fuels. California doesn’t need “better access to agricultural and forest biomass resources [p 38 h(1)]” or any more research to identify the highest value use for forest fuel and harvest residues [p 39 h(2)]” or even to ask the “State Water Resources Control Board to ensure that criteria for watershed protection and water quality are met [p 39 h(3)]”. Focusing on these suggested Tier 1 Action Items will only lead to further delay and decline of the industry.

Covanta agrees with the statement on page 36 that “the most important thing the State of California can do with respect to biopower in the immediate term is to ensure the health of the existing industry”. If the existing industry continues to decline, there will not even be an infrastructure left to gather, process, and transport biomass feedstocks to new bioenergy facilities. New bioenergy facilities would also have to compete with the same less costly, but much more environmentally damaging, disposal alternatives of open-burning and landfilling, and forest accumulation resulting in constrained and costly feedstock supplies.

Covanta suggests the following be incorporated into the Tier 1 Action Items.

- Direct the Air Resources Board to require forest land managers to offset their open-burn emissions with an equivalent amount of biomass that is diverted to bioenergy.
- Direct the Air Resources Board to expand statewide the agricultural open-burn phaseout program currently in place in the San Joaquin Valley.
- Direct the Integrated Waste Management Board to modify regulations so that all woody biomass wastes that are placed in landfills for any purpose, with the exception of treated or hazardous wood waste, be counted as disposal.

- Direct the CPUC and the California Energy Commission to develop and fund a long-term (minimum of 10-years) program that provides financial incentives to any bioenergy facility that utilizes forest, agricultural, or urban biomass wastes. The incentive levels for each type of waste would be set based on the environmental benefits of using to produce bioenergy or bioproducts. The funding source could be a Public Goods Charge on solid waste collection fees or electric utility ratepayers. This approach was shown to work extremely well in the Agricultural Grant Programs of the past few years.
- Direct the CPUC to establish regulations that would require that at least 15% of the state's Renewable Portfolio Standard (RPS) power be generated from solid-fuel biomass.

Without incorporation of the above Tier 1 Action Items for 2006, the Plan will not produce action at all, but simply more discussion and time delay in growing the robust bioenergy industry envisioned in the Plan. In fact, Covanta believes any time delay will result in further decline of the existing bioenergy industry, which will make it even more difficult for any future bioenergy technology to become established and flourish.

We at Covanta sincerely applaud the efforts made by the BioEnergy Interagency Working Group in this first Plan draft. We think you have stated the underlying benefits and vision of a Bioenergy Action Plan correctly. Thank you for the opportunity to comment and we look forward to reviewing the revised Plan very soon.

Sincerely Yours,

Christopher R. Trott
Director, Wood Fuel Purchasing