



# COMPOSITE PANEL ASSOCIATION

*Advancing the wood-based panel and decorative surfacing industries*

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Office of the Administrator  
Science Advisory Board  
1200 Pennsylvania Ave., NW  
Washington, DC 20460

Attention: Dr. Holly Stallworth

The Composite Panel Association (CPA) appreciates the opportunity to submit comments on the Accounting Framework for Biogenic CO<sub>2</sub>. We appreciate the thoroughness with which EPA has investigated and applied science in developing the revised framework document. We also commend EPA for recognizing that when mill residuals that are used in long-lived products are diverted into energy production, it may be an indication that undesired effects (leakage) are occurring (i.e., if sawdust and shavings are diverted to a biomass energy entity rather than following the traditional flow to a domestic particleboard plant).

While we are pleased that leakage potential is recognized, we are concerned about emissions accounting procedures when American biomass energy products are combusted outside the United States – an activity that currently accounts for over one-half of U.S. production, and that is expected to rise sharply over the next decade. About 60 percent of U.S. fuel pellet production (more than 3 million tons in 2014) was exported, largely to Europe. How accounting is done with regard to such a situation would appear to directly impact measures of leakage, a critical issue for our industry.

Finally, we applaud inclusion of language recognizing risks of diverting raw material from long-established industries, but are concerned about the lack of specifics on how the Framework might help to avoid that eventuality. We believe that use of biomass in creating long-lived products that serve as carbon sinks should be formally recognized in any carbon calculations that might be referenced in a future carbon economy.

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This letter specifically addresses these issues, as well as several specifics regarding the BAF formula. We also pose questions as to how the proposed framework might be applied in practice.

### Background

CPA is the trade association representing more than 95% of the North American manufacturing capacity of particleboard, medium density fiberboard ("MDF") and hardboard, as well as many suppliers and major customers of the industry. For over six decades, composite panel products have provided the woodworking industry with a durable, versatile and cost effective substrate that is used in hundreds of applications, including home and office furniture, residential and commercial cabinetry, store fixtures, millwork and moulding, electronics, toys and musical instruments. Based on current U.S. Census data, U.S. reconstituted wood product mills employ more than 13,000 full time wage earners, and composite panel consuming industries account for more than 350,000 additional manufacturing jobs. Our members operate over 53 facilities in 20 states and will be strongly affected by the outcome of this accounting framework.

Composite panels are primarily constructed utilizing residuals from other wood products manufacturing facilities such as sawmills and planer mills. Composite panels were the first true commercially available recycled product in the forest products industry and literally developed in North America in the 1960's and 1970's in order to find better alternatives to burning these residual materials. To this day the composite panel industry remains focused on reusing and materially recycling pre- and postconsumer wood residuals.

### The Issue

Our main concern is the leakage that could occur when woody biomass that has traditionally flowed to existing industries producing higher value products that sequester carbon for the long term, is diverted to a fuel that could effectively carry a designation of "CARBON NEUTRAL". In a future carbon regulated economy unintended consequences could result from not appropriately characterizing this leakage in the regulatory framework.

Without knowing how the framework might be applied (i.e. the legal, regulatory or policy context within which carbon accounting is to be done, and how the possible carbon tax incentives or disincentives might be crafted) it is difficult to assess draft guidelines fully from an operational perspective. However, we do have several observations in this regard:

1. It appears that the Framework as currently drafted would be applied on a mill-by-mill basis. If not, it is difficult to imagine how potential leakage would be identified. More refined definitions for calculation of leakage for local, state and regional application should be considered.
2. We note that all of the sample calculations take biomass directly to the boiler. This raises questions about implications of biomass combustion in locations distant from its' procurement area.

Consider, for example, a scenario in which the BAF formula is used in air permitting, and applied to a situation in which a fuel pellet producer uses as feedstock sawmill residues that otherwise would be used in manufacturing particleboard within the local region. Further assume that pellets are then shipped to Europe (as is the case for the majority of current and planned production of virtually all recently built and announced pellet manufacturing operations in the U.S.). Based on the Framework document, and examples provided therein, it appears that the emissions in this case would be charged to the entity burning the pellets, but not to the entity producing the energy product. We are, therefore, concerned about how that would impact calculations as outlined in the Framework document. In the example provided above leakage would presumably be an issue, but on the other hand diversion of feedstock from an established use to production of an energy product would potentially trigger no emissions chargeable to the energy product.

A unit of wood pellets is merely biomass packaged for combustion at another location. As such, pellets are not like traditional wood products in which carbon is stored for longer periods of time. Consequently, the BAF formula should, in our view, appropriately assess wood pellets at their manufacturing location as though they are burned at the pellet mill.

3. On page 14 of the basic document P is defined as "a unitless adjustment factor between zero and one, equal to the share of the carbon content of the feedstock at the point of assessment that is emitted to the atmosphere by a stationary source versus that which is embedded in products."

- a. We note that if the (GROW + AVOIDEMIT + SITENC + LEAK) part of the equation yields a positive number (indicating that either a portion of facility emissions are counterbalanced by biological carbon cycle effects, or that emissions increase over and above facility emissions), then the fact that the value of P decreases when the quantity of carbon sequestered in products goes up serves to appropriately reduce the proportional emissions number.
- b. However, when the (GROW + AVOIDEMIT + SITENC + LEAK) part of the equation yields a negative number (as most sustainable forest operations will because of the large effect of the GROW term), then the fact that P decreases when the quantity of carbon goes up serves to work in exactly the opposite way as in the case above. Now, as less carbon is sequestered the negative value becomes larger, suggesting greater carbon benefit when less carbon is sequestered in products.

In this case the BAF equation would yield a negative number (indicating better than carbon neutrality), so perhaps it is not a problem that the magnitude of the resulting number is inappropriately affected. The basic concern here revolves around concern about how calculated values might be used in practice, and whether the extent to which calculated emissions are negative is important.

The problem as outlined above could be resolved by using "P" whenever the (GROW + AVOIDEMIT + SITENC + LEAK) part of the equation yields a positive number, and "1-P" when this part of the equation yields a negative number.

- c. Defining P as "equal to the share of the carbon content of the feedstock at the point of assessment that is emitted to the atmosphere by a stationary source versus that which is embedded in products" fails to account for inherent emissions from products manufactured for the sole purpose of combustion that are not combusted at the point of manufacture. Wood fuel pellets are a case in point.

We believe that the term "P" should include not only the emissions from wood combusted at the manufacturing site, but also emissions from any product manufactured for the purpose of combusting. In our view, the P term for pellets should always be equal to 1.0. This would be one way to address the issue we raise in #2 above.

4. Although accounting for leakage is stressed in formulas and in a number of places throughout the Framework document, it is not at all clear how this will be determined or who would have responsibility for identifying potential leakage. It is similarly unclear at what level (regional, local, individual mill level) a leakage determination would be made.

We note that sample calculations throughout the framework suggest that calculations will be done at a regional level. Yet, we wonder how leakage can be properly accounted for unless performed at a smaller spatial scale.

It is also unclear how a determination of leakage might be used. Are there, for instance, implications relative to the Clean Power or PSD programs?

5. As noted in Appendix F to the Framework document, calculation of process attribute terms L and P in the NBE and BAF equations can be quite complicated when biogenic carbon supply pathways are not straightforward. This could be an issue, especially if required at an individual mill level.
6. We believe that any biomass carbon calculation should yield a hierarchical value that reflects carbon content and years of product life (i.e. years of carbon sequestration), in addition to carbon emissions at end-of-life combustion. Moreover, such a calculation should consistently result in a lower BAF for the lowest embodied carbon and shortest-lived products. Currently proposed formulas give pellet mill products the same BAF as lower embodied energy long-lived wood products.

The Composite Panel Association appreciates the opportunity to submit these comments to the Science Advisory Board. As discussed above, there needs to be a mechanism in the proposed Accounting Framework that

recognizes a hierarchy of value in biomass. We are available to meet and discuss these issues with you at any time. Please contact me if you have any questions.

Composite Panel Association