RCC Statement: No Tax Credits for Forest Biomass

The Internal Revenue Service (IRS) and U.S. Treasury are reviewing eligibility requirements for clean electricity tax credits under the Inflation Reduction Act (IRA). In addition to solar, wind, and other renewables, the IRS is weighing how to treat combustion-based or gasification-based processes—including forest biomass burning, waste incineration, and landfill/biogas—under IRA credits.

In a series of comments and letters, the Rachel Carson Council (RCC) has urged the U.S. Treasury Department and IRS to reject rules that would allow the forest biomass industry to qualify for federal tax breaks under the IRA's 45Y production tax credit.

The RCC has published numerous reports covering the forest biomass industry. With proper carbon accounting, the industry's operations do not add up as "clean," "net zero," nor "near zero" in GHG emissions. The industry's 1:1 tree replanting assumption is optimistic at best and downright fantastical when actual mature-growth timelines are factored in; it can take up to a century for proper tree regrowth to occur, hence a misinformed label of "carbon neutrality."

When combusted, wood pellets emit more carbon dioxide than coal per megawatt hour, fueling demand in Europe and Asia at the expense of American forests. Even with promises of using only "wood residue" or scraps for fire management, producers like Drax can only keep up with foreign demand by pivoting their sourcing to include clear-cut forests and mature trees. Grassroots groups and rural communities strongly oppose the industry, and local residents still suffer from unaddressed complaints on dust, noise, confirmed air quality violations, and respiratory distress.

While our organization applauds the Biden-Harris administration's monumental commitments to climate justice, we are deeply concerned that "clean" power generation qualification loopholes in IRA funding would allow polluters like the forest biomass industry to quietly unravel climate progress.

Before the IRS makes any of these decisions, the Administration must take a closer look at the life-cycle emissions metrics of pellet harvesting, production, drying, debarking, pelletizing, transportation, and finally combustion. The Forest Biomass Emissions Act of 2024, pending in the U.S. Senate, is a crucial first step in directing and empowering the Environmental Protection Agency (EPA) to do so.

Overall, the IRS should protect taxpayer dollars from funding forest clearcutting, trash burning, and factory-scale farming. The U.S. Treasury and IRS have a monumental opportunity to grant clean power tax credit eligibility to projects that truly boost local economies, mitigate climate change without caveats, and create high-paying jobs. The RCC supports growth in renewable technologies such as solar, wind, and storage solutions, in order to see out the just energy transition that the IRA envisioned.

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8600 Irvington Avenue • Bethesda MD 20817
Email: mailto:office@rachelcarsoncouncil.org
(301) 214-2400
www.rachelcarsoncouncil.org