

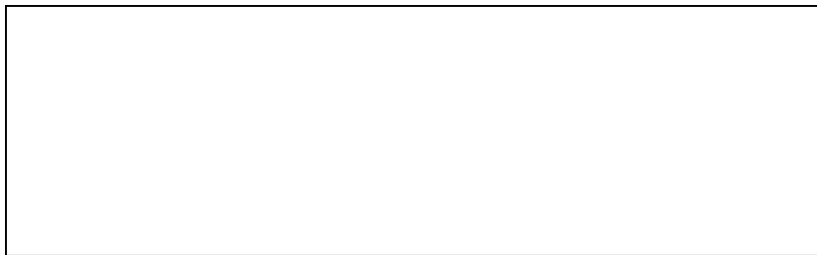
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NE/NY Forest Initiative—cont. from pg 7

States. The seven State Foresters have defined the *mission* of the New England/New York Forest Initiative: **to establish a regional model/demonstration program to strengthen markets**

for forest products, improve forest stewardship, and conserve the region's forest landscape for future generations. A major proposal will be forthcoming on this effort in the next few months. Go to www.nefainfo.org for more information.



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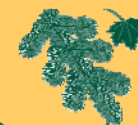
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Solutions...

A periodic newsletter for clients and friends of Innovative Natural Resource Solutions, LLC

A Letter from the President

A year ago INRS thought that significant progress would have been made on the public policy forest carbon sequestration front by now. We were dubious, however, about whether an actual bill could be passed in the U.S. Congress creating a federally regulated cap and trade program for greenhouse gas emissions. At least we believed the Copenhagen climate talks in December of 2009 would yield some momentum. A wake-up call, in the form of a stalled economy, put actions on addressing climate change on hold. Our politicians are saying people need jobs first before we can think about addressing climate change. Maybe so.

With so little momentum coming out of international talks on the issue, significant progress in the Congress is unlikely in 2010. With mid-term elections this fall, prospects for 2011 don't look much better.

Voluntary markets for carbon have also stalled in the U.S. amidst so much uncertainty—the Chicago Climate Exchange today lists the price of carbon at \$.10 per ton (from highs of over \$7 per ton a few years ago).

But does this mean the notion of forest landowners re-

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Letter from the President

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ceiving payment for sequestered carbon or other ecosystem services is only a dream? Far from it. The issue is still incredibly important, and the forests of North America an important sink for carbon dioxide. Patience will yield progress in this area once the economy rebounds in the next 3-5 years and the price of oil skyrockets again.

Major change takes time and happens as a result of a series of decisions and actions in the public and private sector.

At INRS we are patient and believe passionately that forests are (at least partially) the answer to many of our challenges in the U.S. and abroad. We hope to continue to

play a key role in our areas of expertise: woody biomass and renewable energy; land conservation; sustainability and the rural forest-based economy.

We hope to work with you again in 2010.



Charles A. Levesque

**Innovative
Natural
Resource
Solutions LLC**

**offers
consulting
services in:**

- ◆ Renewable Energy
- ◆ Advocacy
- ◆ Economic Development
- ◆ Land Protection and Management
- ◆ Forest Certification
- ◆ Organizational Management

Cram cont.

ent base. Lauren is also assisting on other INRS projects.

We welcome Lauren into the INRS fold, and wish her continued success.

NE/NY Forest Initiative cont.

Ribbon Commission on Land Conservation (CLC).

As a result of these combined efforts, in September 2009 the New England Governors' Conference called upon the region's State Foresters to develop, "...a New England Forest Initiative to Keep Forests as Forests that will constitute a new blueprint to protect the region's forest land-base and ensure the sustainability of these lands, as a public policy appropriate to all New England; and identify barriers to and opportunities for sustaining forestlands that are in private ownership and expanding forest products production and consumption."

With this charge, the NF KFAF initiative expanded to include the southern New England-

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**Houghton & Quigley
move on**

David Houghton, who joined INRS in 2006 and worked on numerous land conservation and wildlife habitat conservation projects for many clients in the public and private sector, recently left the firm.

Houghton joined the staff of the National Wildlife Refuge Association in late 2009 as its Vice-President of Conservation Programs.

Erin Quigley who worked for INRS as Associate in 2008 and 2009 left to further pursue her studies. She is now beginning a Ph.D program at the University of Maine.

We wish David and Erin the best in their new endeavors.

Lauren Cram joins INRS

Lauren Cram joined INRS in the fall of 2009 to head up the company's work on the Biomass Crop Assistance Program, otherwise known as BCAP. Ms. Cram worked as an intern during the summer of 2008 for INRS while in between college years. Lauren comes back to INRS a graduate of Keene State College in Keene, NH, after receiving her Bachelors of Science degree in Environmental Policy.



Lauren Cram

In recent weeks, Lauren has transitioned out of our

Keene, NH office, and is now administering BCAP operations out of our Portland, Maine office. It is here where she adds an indispensable charm to the Elm Street location, while entertaining Eric Kingsley with her infectious laugh on a daily basis.

Lauren's work with the BCAP provides significant financial assistance to producers or entities that deliver eligible biomass material to designated biomass conversion facilities for use as heat, power, biobased products or biofuels. Lauren works directly with biomass producers on BCAP, representing their interests before the Farm Service Agency. She takes care of all of the complicated government paperwork involved with the program, and assures that the cost-share payments are received, thus simplifying the process for the INRS cli-

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Managing Risk in Biomass Fuel Costs – Coming Soon—Eric Kingsley, INRS Vice-President

As more and more biomass projects get proposed, built, bought and sold, INRS continues to hear from our clients the importance of understanding and managing fuel (or feedstock) cost risk. The past few years have seen some big swings in biomass prices, causing project owners and developers some pause.

Of course, the obvious solution is for biomass consumers to enter into long-term contracts with suppliers. *Easier said than done.* Biomass suppliers often don't own the resource, and need to pay land-owners or others market price to get the material. Suppliers also have little control over some of the input costs for producing a usable product (e.g., most loggers have shockingly little influence over diesel fuel prices). On top of these challenges, most suppliers are small (or very small) businesses, and generally cannot pass a "credit

test", lacking the balance sheet to guarantee a long-term contract. (Note: For a complete discussion of this issue please see *Establishing Long-Term Biomass Supply Relationships*, available in the "publications" section of our website, www.inrslc.com.)



Eric Kingsley

In an effort to help come closer to what developers and owners of large-scale biomass energy projects want -- price stability for biomass fuel in a

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marketplace that is inherently unstable and fragmented – INRS has taken a step back to address the underlying need.

What developers and their financial backers really want is some reasonable expectation of price security over time. Wild swings in price aren't good for the balance sheet, and the inability to secure future biomass pricing makes financing projects more difficult.

There are ways to manage biomass cost risk other than long-term contracting, an inherently challenging proposition. INRS has scoured through over a decade of biomass price and volume data to determine the components of biomass fuel price fluctuation. We are in the late stages of developing a way for large-scale biomass users to manage fuel risk without having to deal with the issues discussed above.

Using an innovative approach, we believe that we

have found a way for large scale users of biomass fuel to



manage about 80% of the volatility in fuel costs, working exclusively with existing financial instruments and credit-worthy counterparties. We have already shared our approach and initial work with some biomass users, and have received great feedback.

Over the first half of 2010, we expect to finalize this approach, and hope to have it available to our clients soon. If managing fuel risk for biomass projects is on your radar screen, let us know. We would love to share our new approach with you as soon as it is ready.

New England/ New York Forest Initiative

Once reduced to just 20-30% of the landscape in large portions of the NE/NY region, forests now occupy some 80% of the land base. This astonishing recovery, and the fact that the region is a leader in sustainable management, offer a compelling opportunity to secure the economic benefits and forest values that the region's people cherish and steward for future generations.

In 2008, the North East *State Foresters Association* (NEFA—Charles Levesque serves as its contract staff) launched an effort to identify methods to maintain the re-

gion's forested landscape, increase the quality of stewardship of these lands, and strengthen the rural economy of the region. The project became known as the Northern Forest Keeping Forests as Forests initiative (NF KFAF) and included New York, Vermont, New Hampshire and Maine. NEFA invited representatives of the Natural Resources Conservation Service and the US Forest Service to participate in this effort. At the same time, the New England Governors' Conference (NEG) independently established a Blue

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