

#### Lifecycle Assessment and Economics of Biochar from Forest Residues

Debbie Page-Dumroese Rocky Mountain Res. Station

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Forest Products Lab

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WoodLife Environmental Consultants

August 23, 2017





For more information please visit WasteToWisdom.com

#### **Waste to Wisdom Project Overview**

This material is based upon work supported by a grant from the U.S. Department of Energy under the Biomass Research and Development Initiative program: Award Number DE-EE0006297.





#### **Waste to Wisdom Project Overview**

Forest residuals and slash are an immense, underutilized resource.

Creating biochar is one by-product that can be created from these residues using small-scale near-woods production.

Our presentation will include information on

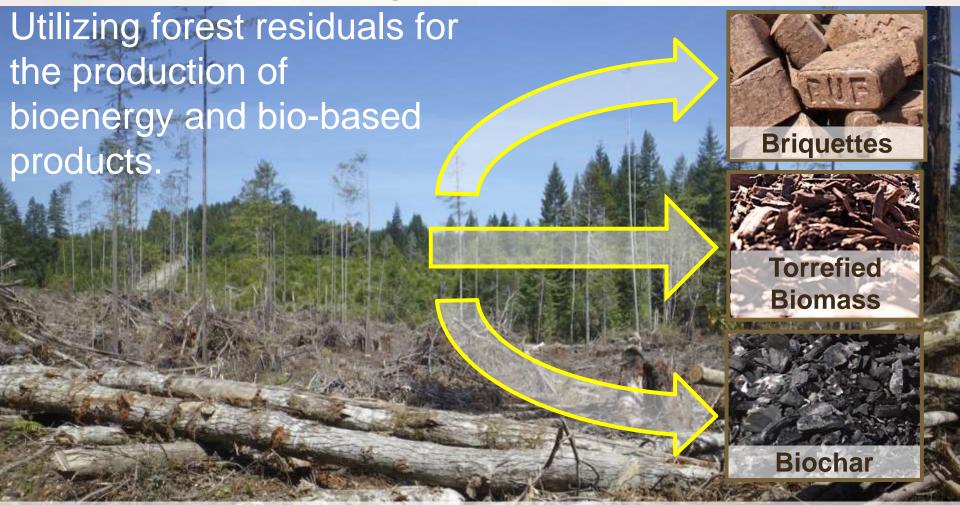
- Biochar applications
- Lifecycle analyses
- Biochar economics

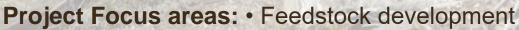






#### **Waste to Wisdom Project Overview**





- Biomass conversion technologies
- Economic and environmental assessment





#### **Webinar Outline**

- 1. Environmental impacts of biochar application (Deb Page-Dumroese)
  - a) Why biochar?
  - b) Ecosystem responses
- 2. Lifecycle assessment of biochar (Maureen Puettmann)
  - a) Methods
  - b) Results Global Warming Impact
- 3. Economics of torrefied biomass production (Ted Bilek)
  - a) Analysis methodology
  - b) Economic results
- 4. Question and answer period (moderated by Ted Bilek)







## What is happening?





- Millions of acres of overstocked forests in the western US
- Millions of acres of beetle-killed forests in Canada and western US
- Longer fire season and increasing fire severity
- Smaller burn windows





# What to do with the non-merchantable wood?









## Current land management

- Forest restoration: thinning and salvage logging
- Pile and burn excess woody biomass
  - Cheap, easy, reduces fire risk
- Pile burning can alter soil properties
  - Long-term impacts



## Other concerns

- Bioenergy harvesting could degrade long-term productivity
- HOWEVER
  - Biochar applications can replace C removed during harvesting
  - Improve soil conditions to lessen drought or nutrient stress







## Reducing Risks and Increasing Benefits



#### Increase soil water

- Decreased wildfire
- Decrease insect risk
- Decrease disease risk

#### Increase soil carbon

- Climate change
- Carbon credits
- Decrease GHG emissions





#### The Role of Biochar

#### Residual biomass converted to biochar can:

- Provide value to unmerchantable material
- Increase tree growth
  - ~5-20% (or more)
- Restore
  - skid trails, log landings, road beds
  - water relations
  - carbon sequestration
- Improve soil resiliency
  - less erosion and leaching; improved infiltration; more resilient to floods and droughts







#### Presented by:

Maureen Puettmann WoodLife Environmental Consultants Corvallis, OR



#### **Collaborators**

Elaine Oneil
Consortium for Research on Renewable Industrial Materials
(CORRIM)

Mark Severy and David Carter Schatz Energy Research Center Humboldt State University









#### Task:

- What are the environmental impacts of producing biochar?
- Is there a relationship between biochar quality and environmental impacts?
- Is there a relationship between feedstock quality and environmental impacts?
- Comparison of different biochar production systems
  - BSI system
  - Oregon Kiln
  - Air burners





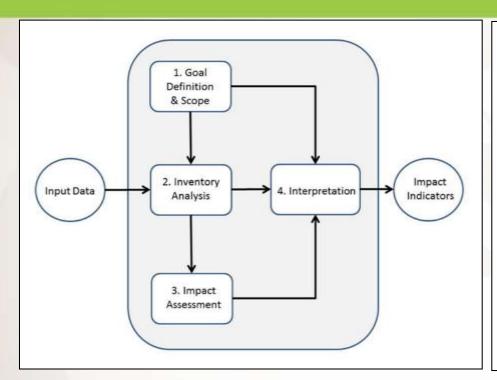
- What environmental impacts are we looking at?
  - Energy consumption
  - Emissions generated? (eg. CO, CO<sub>2</sub>, particulates, NOx, CH<sub>4</sub>, SO<sub>2</sub>)
  - Impact categories such as:
    - Global Warming Potential (GWP),
    - Ozone Depletion Potential
    - Smog Potential

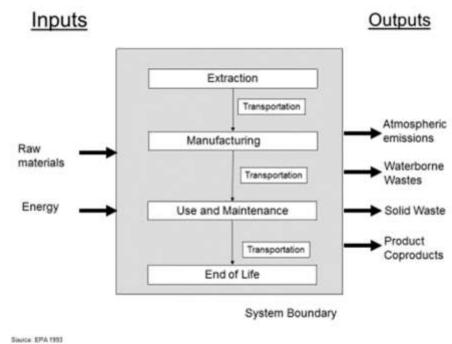




## **LCA Method**

#### Life cycle inventory











- Functional Unit
  - 1 mt of Biochar
- Cradle to gate (collection through production)
- Life cycle data
  - Forestry operations, feedstock collection, feedstock processing, and transportation (from Oneil, Waste to Wisdom PI)
  - Biochar production runs were performed by engineers at the Schatz Energy Center (Humboldt State U.)
  - US LCI database
  - Calculations

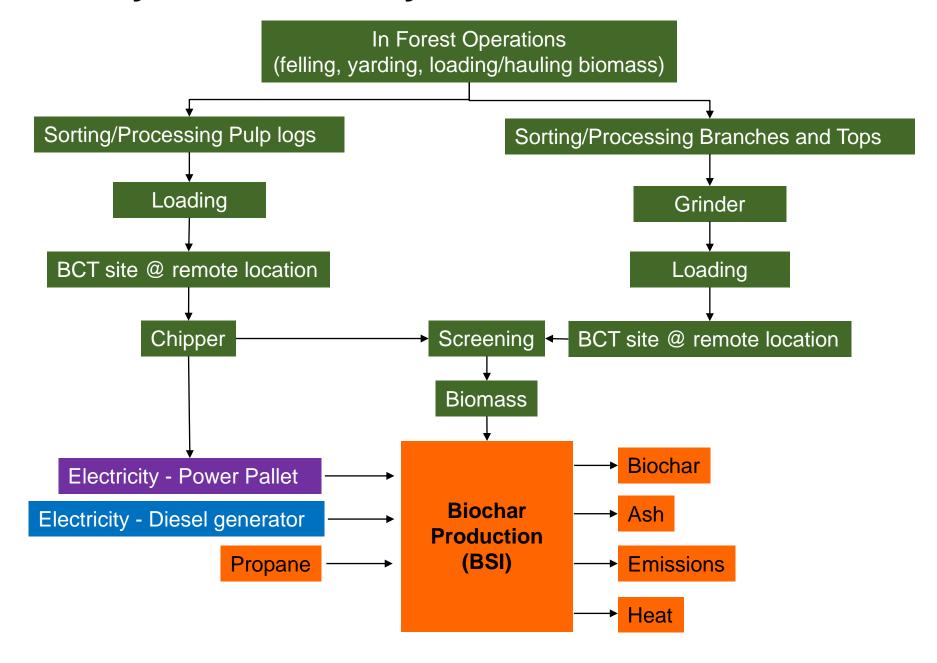


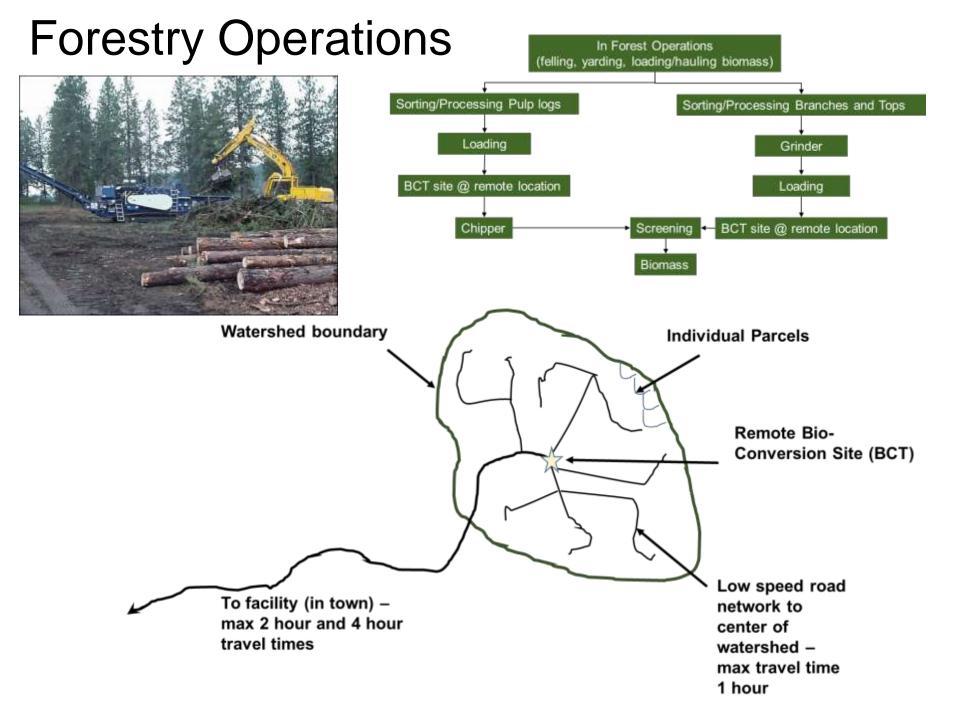






#### **LCA System Boundary**





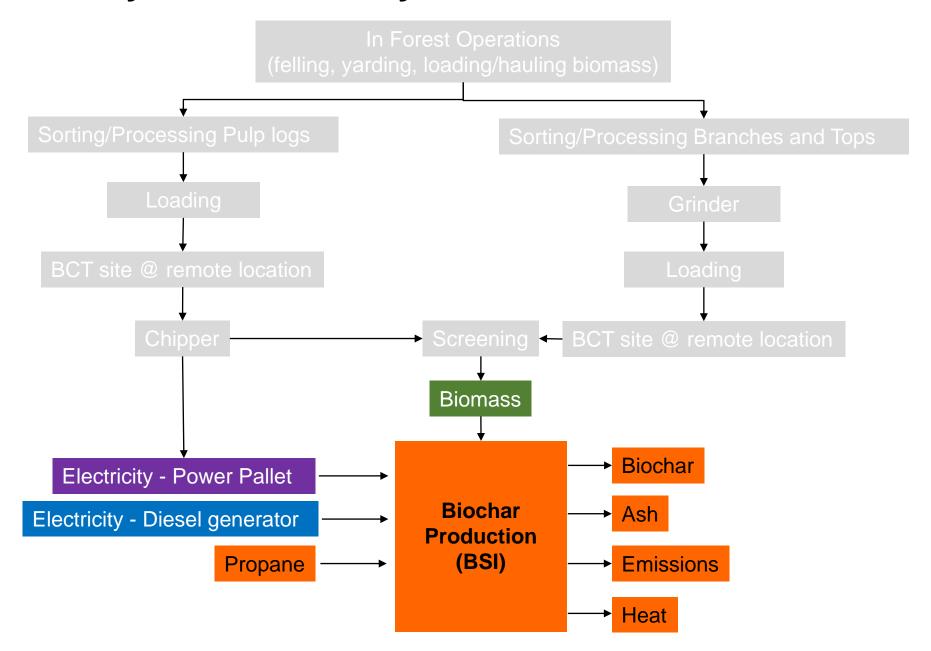
#### **Biochar Production - BSI System**

- Testing Goals
  - Develop feedstock quality specifications
  - Measure consumption and production rates
  - Document operational intensity and labor requirements
  - Determine energy requirements
  - Assess environmental impact and fire hazards

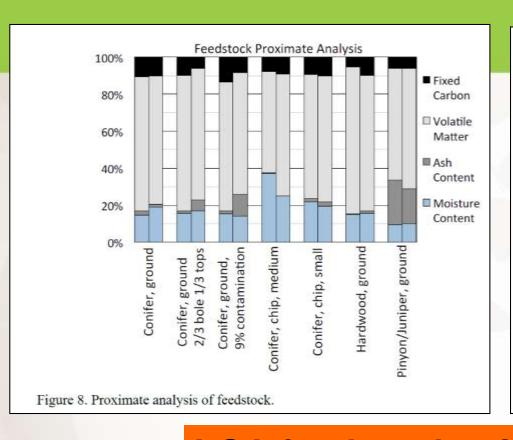




#### **LCA System Boundary**



#### **Feedstocks**



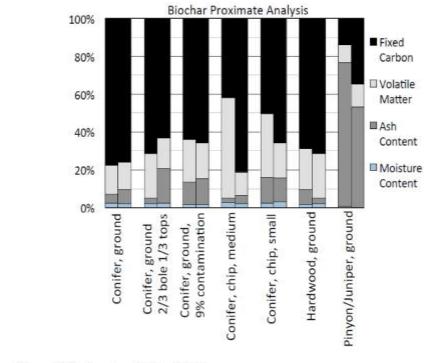


Figure 9. Proximate analysis of biochar.

LCA feedstock criteria

< 25% MC wb

<15% ash





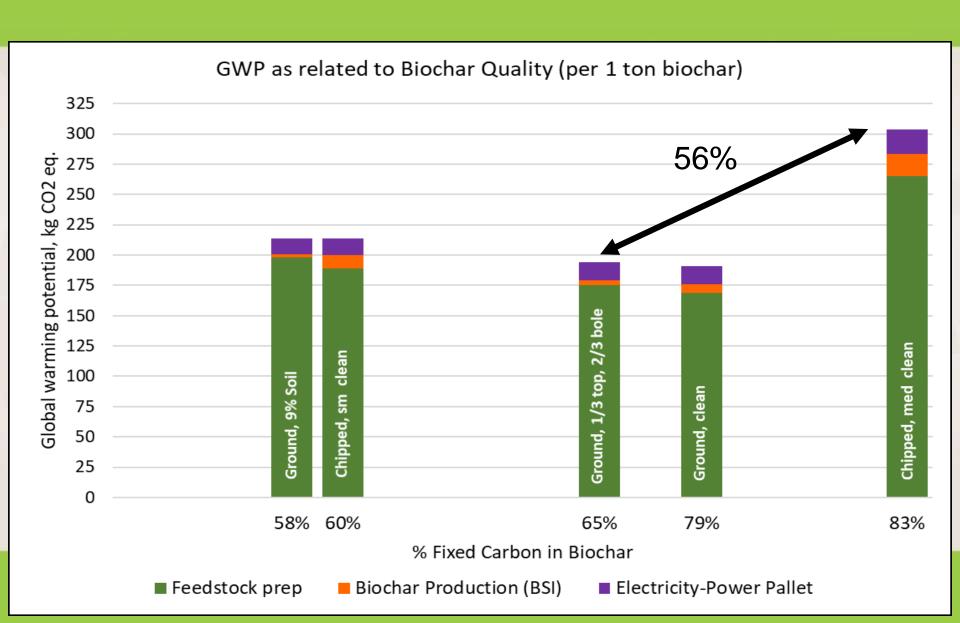
## **Feedstocks**

Species	Conifer		Conifer		Conifer		Conifer		Conifer		Hardwood		Juniper	
Comminution Method	Ground		Ground		Ground		Chip med		Chip small		Ground		Ground	
Contaminant	none		2/3 bole, 1/3 tops		9% soil		none		none		none		as received*	
Moisture Content	15%	19%	17%	15%	14%	16%	37%	25%	22%	20%	15%	16%	10%	10%
Ash Content	2%	2%	7%	2%	14%	14%	0.7%	0.1%	3%	3%	0.3%	1%	26%	21%
Particle Size (% mass) (<0.1"/0.1"-1"/>1")	12/80/9		14/77/9		14/77/8		1/99/0		31/69/0		20/79/1		28/64/8	

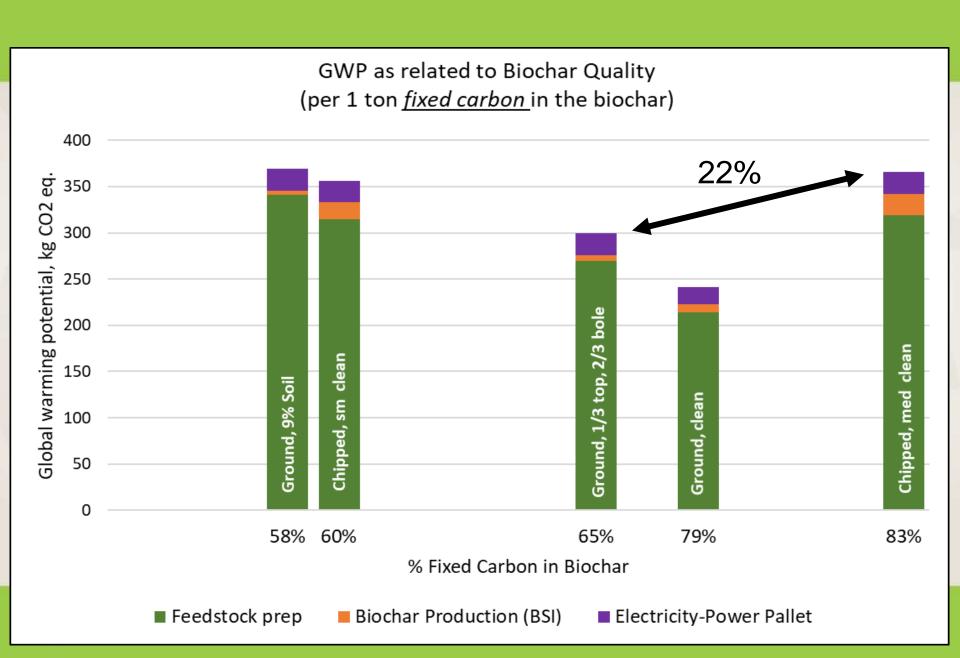




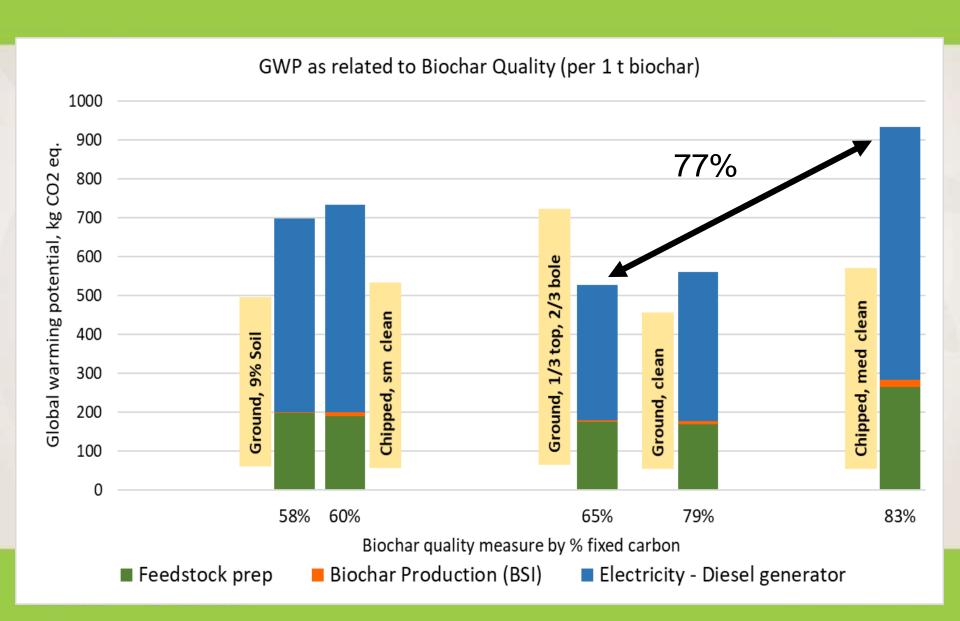
#### Results - Power Pallet - 1 mton of Biochar



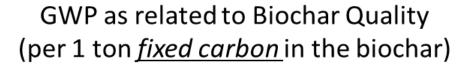
#### Results - Power Pallet - 1 mton of Fixed Carbon

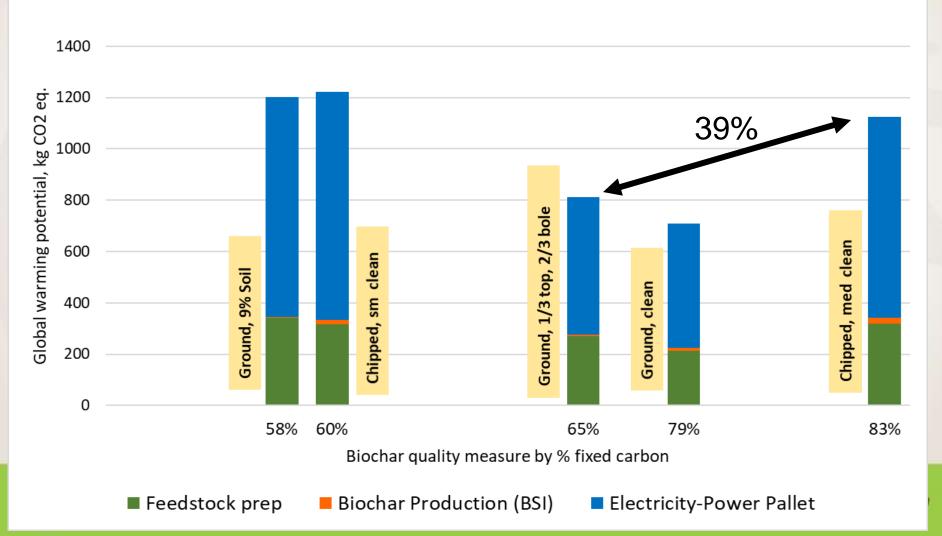


#### Results-Diesel Generator- 1 mton of Biochar



#### Results-Diesel Generator-1 mton of Fixed Carbon





## **Conclusions - LCA of Biochar**

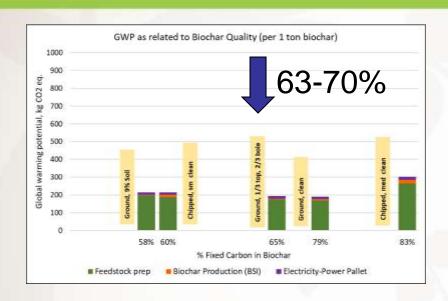
- Relationship between biochar quality and CO<sub>2</sub> emissions
- Biochar Production (BSI): Feedstock should have <25% MC<sub>wb</sub> and <15% ash</li>

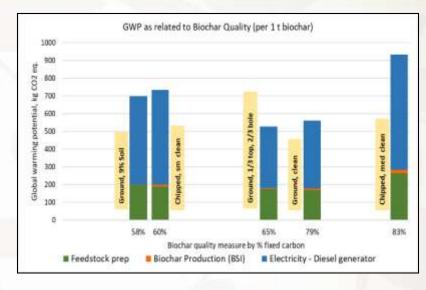






## **Conclusions - LCA of Biochar**







Power Pallet (small gasification generator used to power the biochar machine and/or the drying system) reduced overall kg CO2 eq (GWP) emissions by 63-70% over use of a diesel generator, depending on the feedstock used.



## **Conclusions - LCA of Biochar**

- Does quality come with an environmental cost?
  - Biochar equivalent output higher quality biochar resulted in a higher GWP impacts
  - When the impact was scaled to a ton of fixed carbon
    - the differences in overall impact based on biochar quality was reduced
    - Lower biochar quality had the highest environmental cost.







## **Conclusions – Next steps**

- Setting standards for biochar (% fixed carbon)
  - –What amount of environmental impact are we willing to accept for biochar quality?
  - –What is an acceptable quality of feedstock and biochar to make the production process a "carbon benefit"
  - –Do other impacts categories respond to biochar quality like GWP?
- Impact of taking the forest residues (feedstocks) to town for processing?
- Other biochar production systems (eg. Oregon Kiln, Air Burners)?





## The Economics of Near-Forest Woody Biomass Biochar Manufacture

## E.M. (Ted) Bilek

**Economist** 

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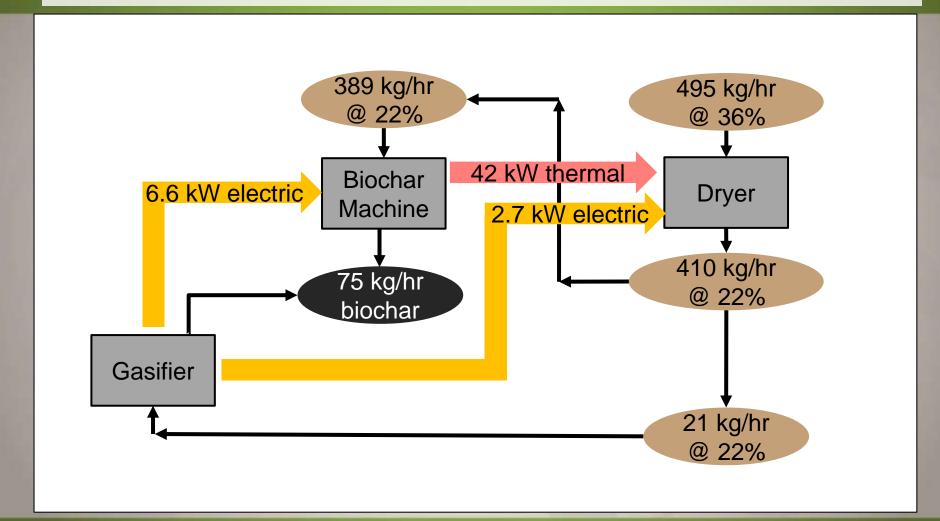
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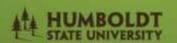


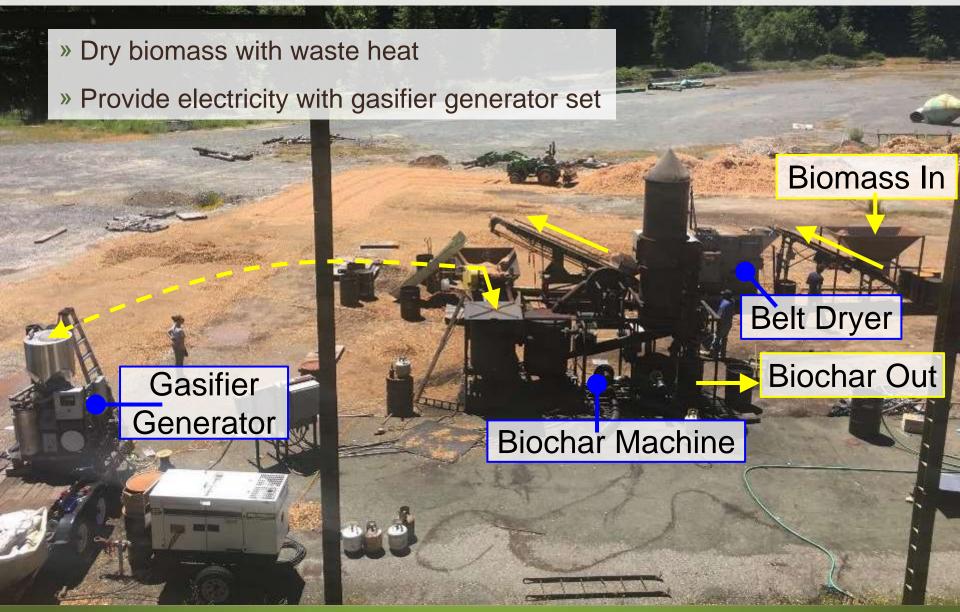
- » Produced 75 kg/hr of biochar with no external inputs.
- » System can be operated by one person.







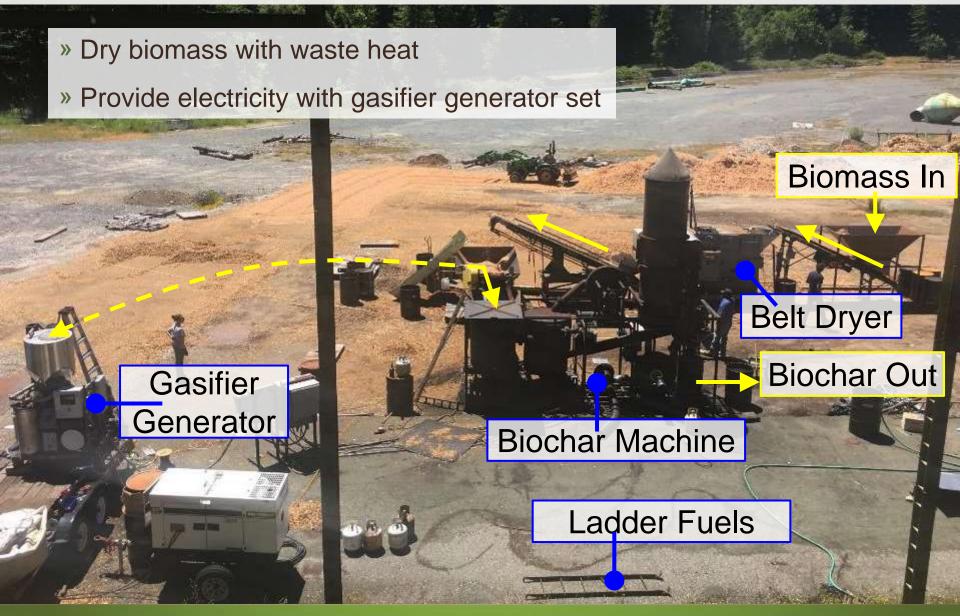








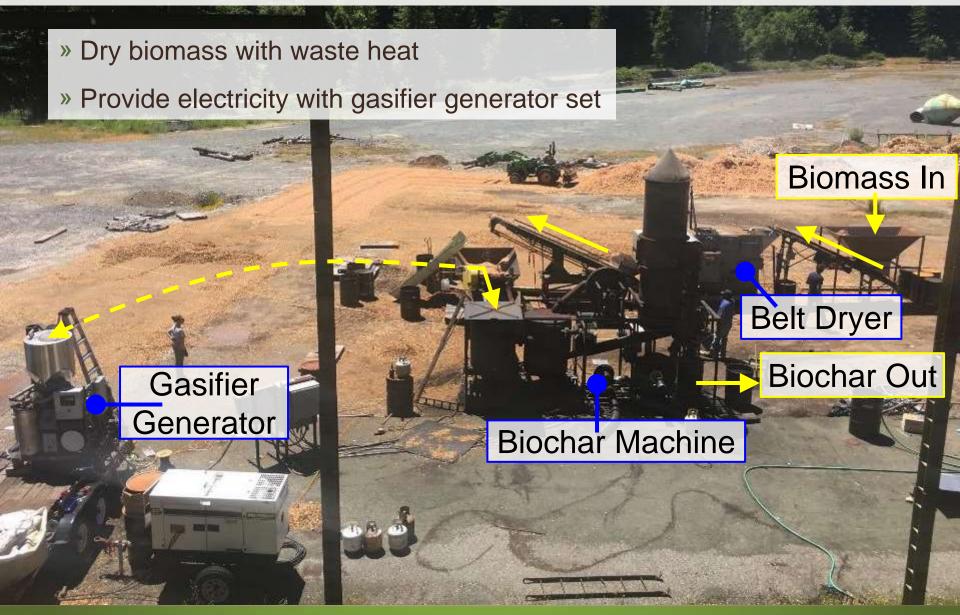






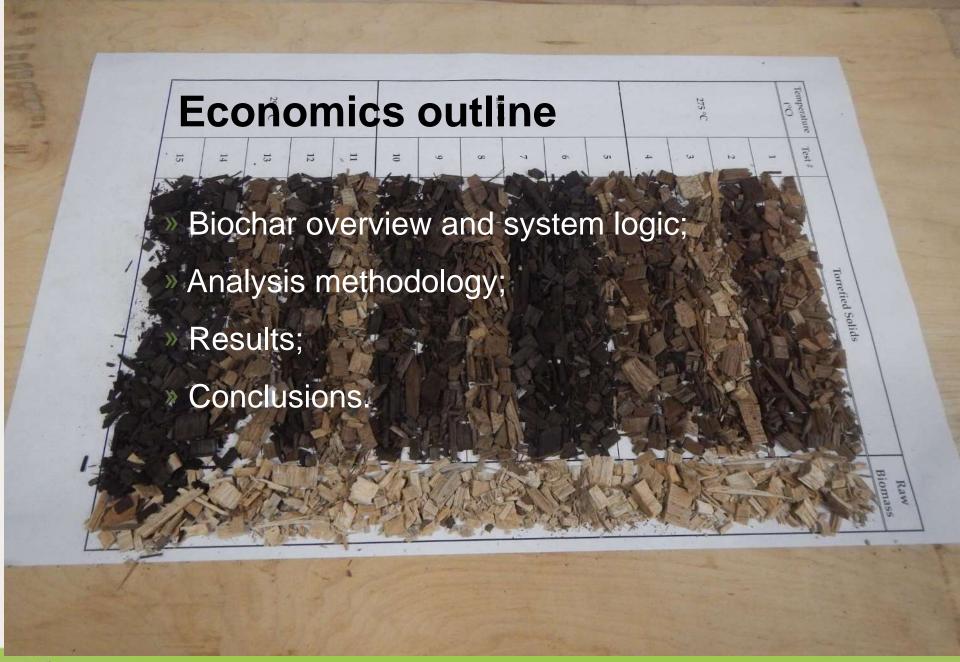
















#### What to use to make biochar?

Preferably, a feedstock without much variation...



wood chips (<3/4 inch) micro-chips (<1/4 inch)

sawdust (<5/32 inch)





### Biochar-ready feedstock production costs



Biochar feedstock input is 0.50 BDT/PMH









### Basic biochar production assumptions:

- » Commercial-scale system cost: \$489,500 (120 tons/year)
  - » Biochar unit: Biochar Solutions machines @ \$250,000 & \$400,000
  - » Dryer: Norris Thermal Technologies Belt-o-matic 123B @ \$45,000
- » Economic life: 10 years (8 hours/day, 250 days/year)
- » Salvage value: 20%
- » Feedstock throughputs: 0.354 & 0.502 BDT/PMH
- » Biochar mass conversion = 13.5% & 15.9%
- » Operation = 2,500 SMH @ 80% productivity
- » Feedstock = Microchips @ \$13.12/BDT (= \$8.43/green ton, including loader, but not transport)







### Other important assumptions:

- » Electricity supply: PowerPallet (PP20) gasifier genset from All Power Labs @ \$0.3869/kWh – also provides drying heat
- » Loader cost @ \$22.57/SMH (machine cost calculation w/o labor)
- » Discount rate: 10% (pre-tax nominal w/ cost & revenue inflation @ 1% & 0% respectively)
- » Product value: \$2,000/BDT, FOB plant
- » Tax losses are: recognized immediately (not carried forward or lost)
- » Loan = 40% of initial capital cost
- » Loan terms: 6 years at 6.00% with monthly payments







#### **Methodology: Discounted Cash Flow Analysis**

40.0%

recognized

immediately

One will have been a governations		Variable energing costs	
Overall project assumptions		Variable operating costs	
Project planning life	10 years	Plant operators	
Standard operating days/year	250	Variable labor cost (\$/worker/scheduled hour) \$	
Scheduled daily machine operating hours (daily SMH)	8.0	Electricity cost (\$/kWh) \$	
Cost inflation rate	1.0%	Binder cost (\$/lb) \$	
Revenue inflation rate	0.0%	Standardized repairs & maintenance percentage	
		Repairs & maintenance function	Unifo
Project financing		Liquid propane (\$/gallon) \$	
Required mininum nominal pre-tax risk premium on invested capital	8.5%	Periodic consumables cost	
Deposit interest rate (APR)	1.50%		
Initial gearing (% of total start-up cost that is financed)	40.0%		
Loan interest rate (APR)	6.00%	Additional periodic consumables cost	
Loan term	6.00 years		
Loan and deposit payments per year	12	Misc. variable operating costs \$/scheduled hr.) \$	
Working capital required as a percentage of next year's sales	2.0%	Other variable consumables cost (\$/ton biochar \$	
		Finished goods transport cost (\$/ton) \$	
Capital assets			
Deperciation code	DB	Conversion variables	
Terminal asset value multiplier	100%	Biochar system feedstock throughput (bone-dry tons/PMH)	
		Biochar system mass conversion/bone-dry ton of feedstock (%)	
Fixed operating costs		Feedstock removal (bone-dry tons/acre)	
General administration (\$/year) \$	2,000	Electrical energy required	
Administration staff (number)	-	Binder required (lb/Biochar ton)	
		Liquid propane (gallons/productive hour)	
Site lease (\$/year) \$	-	Thermal production (million Btu/Bone-dry ton feedstock throughput)	
Equipment lease (\$/year) \$	-	Feedstock moisture content	
Annual insurance percent	1.6%	System start-up time (hours/day)	
Other annual fixed costs (\$/year) \$	_	System shut-down time (hours/day)	

Income tax rate

Tax losses or net tax credits are...

Ad valorem (property) tax mill rate

Biomass utilization tax credit \$

Variable operating costs				
		Plant operators		1.00
Variable labor	cost (\$/worker	/scheduled hour)	\$	33.25
	Electri	city cost (\$/kWh)	\$	0.3869
	1	Binder cost (\$/lb)	\$	-
Standardized reg	oairs & mainter	nance percentage		20.0%
	Repairs & main	tenance function		Uniform
	Liquid pr	opane (\$/gallon)	\$	2.39
	Periodic	consumables cost		
		·		
		· ·		
Additional periodi	c consumables	cost		
,		•		,
Misc. variable o	perating costs	\$/scheduled hr.)	\$	22.570
Other variable cor	isumables cost	(\$/ton biochar	\$	-
Finish	hed goods tran.	sport cost (\$/ton)	\$	_'
Conversion variables				
Biochar system feedstock th	roughput (bon	ne-dry tons/PMH)		0.50
Biochar system mass conversion	on/bone-dry ton	of feedstock (%)		15.9%
Feedsto	ck removal (bo	ne-dry tons/acre)		18.00
	Electrica	l energy required		9 kW
H	Binder required	(lb/Biochar ton)		_
Liquid pro	pane (gallons/	productive hour)		_
ermal production (million Btu/Bon	e-dry ton feeds	tock throughput)		2.94
	Feedstock	moisture content	•	35.8%
	System start-up	time (hours/day)	•	1.21
Sys	stem shut-down	time (hours/day)		0.79

ummary Financial Measures:	Before-finance		
mi-mobile Biochar Conversion System from Biochar Solutions	& tax	Before-tax	After-tax
NPV (\$000)	\$ (351)	\$ (338)	\$ (210
Real IRR (adjusted by cost inflation at 1.0%)	-21.4%	-26.2%	-17.3%
Nominal IRR	-20.6%	-25.5%	-16.4%
NOTE: Nominal discount rates used to calculate NPVs and B-E values	10.00%	8.40%	5.04%
(Assuming 1.0% cost inflation, 0.0% revenue inflation, and 40.0% gearing at 6.00%)		IRR seed =	-50%
Break-even avg. Biochar product value (\$/ton)	\$ 2,839	\$ 2,750	\$ 2,662
Break-even delivered yr. 1 feedstock cost (\$/green ton)	\$ (62)	\$ (54)	\$ (47
Medium-term operating B-E avg. product value (\$/ton)		\$ 2,171	
Short-term operating B-E avg. product value (\$/ton)	\$ 2,040		





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(Assuming 1.0% cost inflation, 0.0% revenue inflation, and 40.0% gearing at 6.00%)			IRR seed =	-509
Break-even avg. Biochar product value (\$/ton)	\$	2,839	\$ 2,750	\$ 2,662
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For-profit biochar production at a demonstration scale (72 tons/year) is not recommended without additional capital or operating subsidies.





Summary Financial Measures:	$B\epsilon$	efore-finance		
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Break-even product values are the prices at which NPVs=\$0





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- Break-even product values are the prices at which NPVs=\$0
- Break-even feedstock costs are the costs (or subsidies) at which NPVs=\$0





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- Break-even product values are the prices at which NPVs=\$0
- Break-even feedstock costs are the costs (or subsidies) at which NPVs=\$0
- Medium and short-term product values will keep the plant open either for the next year or for the next day.





# Commercial-scale Results (120 tons/year) (w/product price = \$2,000/BDT)

Summary Financial Measures:	Before-finance			
Semi-mobile Biochar Conversion System from Biochar Solutions		x tax	Before-tax	After-tax
NPV (\$000)	\$	8	\$ 68	\$ 90
Real IRR (adjusted by cost inflation at 1.0%)		9.2%	10.8%	8.8%
Nominal IRR		10.3%	11.9%	9.9%
NOTE: Nominal discount rates used to calculate NPVs and B-E values		10.00%	0.10%	5.0170
(Assuming 1.0% cost inflation, 0.0% revenue inflation, and 40.0% gearing at 6.00%)			IRR seed =	-50%
Break-even avg. Biochar product value (\$/ton)	\$	1,989	\$ 1,910	\$ 1,831
Break-even delivered yr. 1 feedstock cost (\$/green ton)	\$	10	\$ 17	\$ 25
Medium-term operating B-E avg. product value (\$/ton)			\$ 1,384	
Short-term operating B-E avg. product value (\$/ton)	\$	1,277		

NPVs are positive and nominal IRRs are all above the discount rates;





# Commercial-scale Results (120 tons/year) (w/product price = \$2,000/BDT)

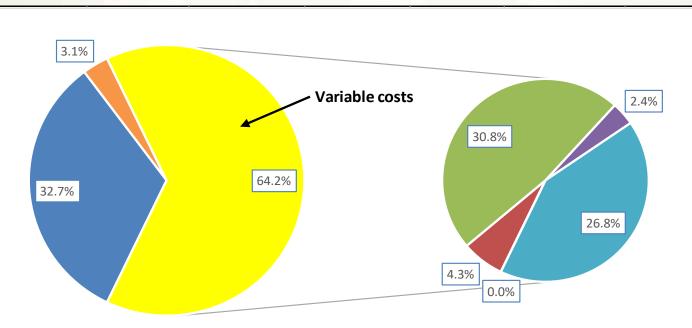
Before-finance		<i>[</i> ]		
	& tax	Before-tax		After-tax
\$	8	\$ 68	\$	90
	9.2%	10.8%	1	8.8%
	10.3%	11.9%		9.9%
	10.00%	8.40%		5.04%
		IKK seea –		-3076
\$	1,989	\$ 1,910	\$	1,831
\$	10	\$ 17	\$	25
		\$ 1,384		
\$	1,277	, · · · · · · · · · · · · · · · · · · ·		
	\$ \$ \$	& tax  \$ 8 9.2% 10.3% 10.00%  \$ 1,989 \$ 10	& tax       Before-tax         \$ 8 \$ 68         9.2% 10.8% 10.8% 11.9%	& tax       Before-tax         \$ 8 \$ 68 \$         9.2% 10.8% 10.8% 11.9% 11.

- NPVs are positive and nominal IRRs are all above the discount rates;
- Break-even product values are below the target price.
- Feedstock prices are positive.





#### Cost breakdown: Before-finance & tax



- Capital assets (dryer & biochar reactor)
- Wood feedstock (@ \$8.43/green ton)
- Labor (1 operator(s) @ \$33.25/worker/scheduled hour)
- Electricity (@ \$0.3869/kWh)
- Other variable operating costs
- Fixed operating costs & working capital

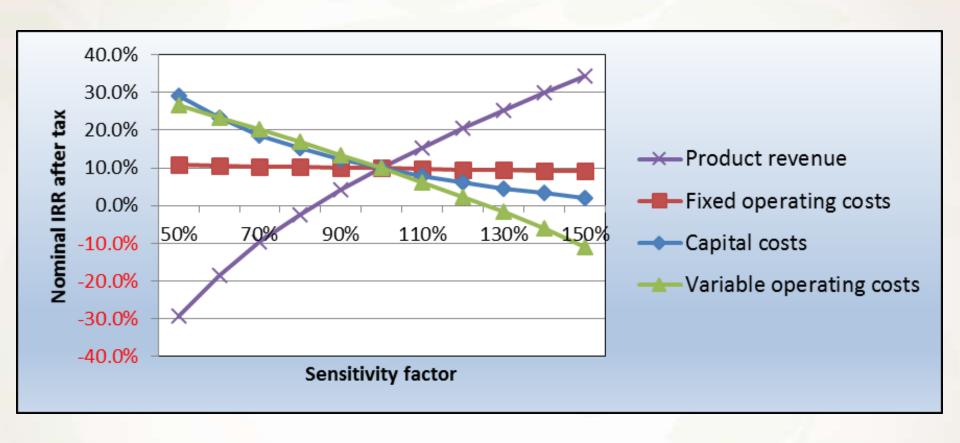
Total costs discounted at 10.00% nominal before-finance & tax over 10 years with variable costs highlighted

NOTE: Total annualized costs = \$226,595 and total annualized revenues = \$227,895





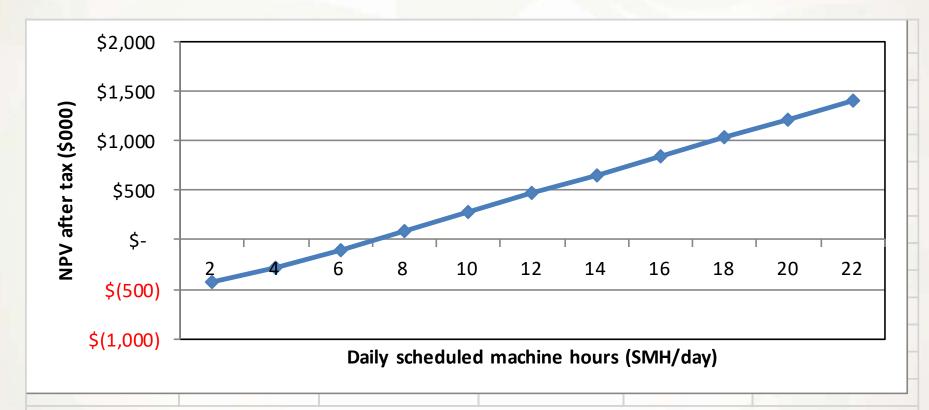
#### Biochar plant's simple sensitivity analysis







# Biochar plant's profitability sensitivity to the operating day length



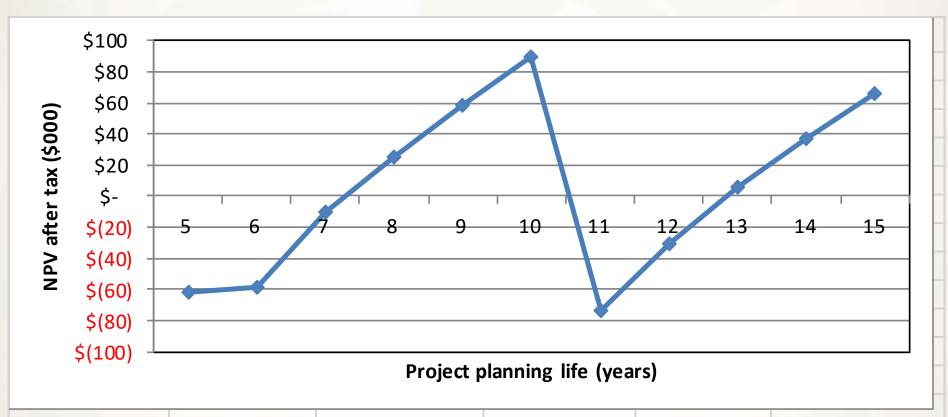
Sensitivity of Biochar Plant's NPV after tax to the Standard operating day (scheduled hours/day)

NOTE: NPV after-tax discount factor is 4.00% real, or 5.04% nominal with 1.00% cost inflation





# Biochar plant's profitability sensitivity to the project planning life



Sensitivity of Biochar Plant's NPV after tax to the Project planning life (years)

NOTE: NPV after-tax discount factor is 4.00% real, or 5.04% nominal with 1.00% cost inflation





### **Economic Drivers**

- Alternative disposal costs
  - Pile burn (\$150-\$850/acre)
  - Torrefaction (value = \$200-\$250/ton delivered)
  - Other energy

Markets...







#### **Biochar Markets**

- » Soils (primary market)
  - » Need to match specific biochars to crops and soil types
  - » Biggest potential lies where crops are higher-valued, especially where water is scarce or costly
  - » Even larger value-added potential lies in possible replacement for activated carbon (esp. trace mercury removal or soil decontamination, water or air filtration, public health/sanitation, etc.)
- » Composting (can reduce composting time, GHG emissions, and odors)
- » Growing media (i.e. vermiculite and perlite and peat moss substitutes)
- » Other bio-based wastes can also be made into biochar
- » Chicken & egg issues with respect to biochar's costeffectiveneness (which lead to financing issues which limit scale economies)



#### **Conclusions**

- » Small-scale near-woods biochar production may make economic sense.
  - » Costs are relatively high;
  - » Labor is a big part of the total cost.
  - » Costs as presented could be lowered.
- » Biochar represents a highly value-added product made from waste resources. It can be used directly and offers the opportunity to be combined with other ingredients to create additional value. It can be produced near a forest and offers opportunities to concentrate biomass value to facilitate more cost-effective transport.



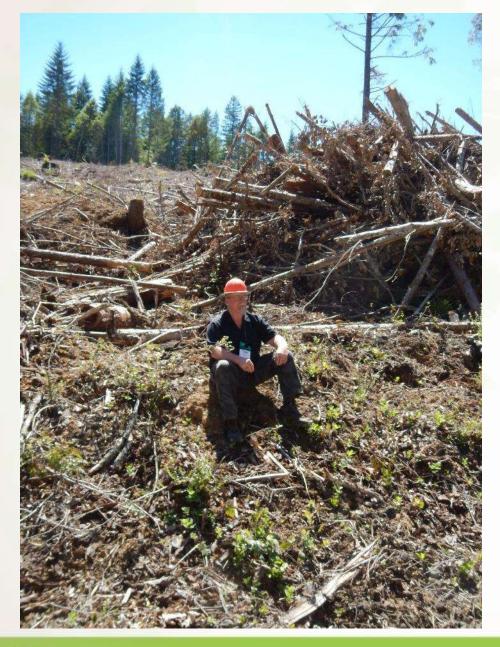


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More research is needed.





### **Thank You**

### Questions?



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