



Testimony of

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Field Hearing to examine efficient approaches to reducing industrial energy costs

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Senate Chairwoman Murkowski, Senator King and members of the U.S. Senate Committee on Energy and Natural Resources, my name is Dana Doran and I am a resident of Belgrade, Maine. I appear before you today as the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is a trade association that represents logging and trucking contractors throughout the state of Maine. The PLC was formed in 1995 to give independent contractors a voice in a rapidly changing forest industry.

As of 2014, logging and trucking contractors in Maine employed over 4,700 people directly and were indirectly responsible for the creation of an additional 3,000 jobs. This employment and the investments that contractors make contributed \$882 million into the state's economy. Our membership employs over half of the individuals who work in this industry and is also responsible for about 75% of Maine's annual timber harvest.

Thank you for providing me with the opportunity today to testify on behalf of our membership how wood energy can be a beneficial and commonsense solution to reduce industrial energy costs. I would also like to thank Senator King for bringing attention to this issue.

The forest products industry in Maine is in the midst of a crisis, one that none of us have ever experienced before. In the past four years, Maine has experienced the closure of five pulp and paper mills and the periodic idling of two wood energy electric facilities. As a result, Maine has lost 50 percent of its softwood pulp market in the last two years alone and has also seen a two-million-ton reduction of biomass utilization. Between 2014 and 2016, the total economic impact of the forest products industry fell from \$9.8 billion to \$8.5 billion, and more than 5,000 jobs were lost. Rural Maine communities where mills have closed are experiencing high unemployment rates, loss of population, and significant basic infrastructure challenges.

Forest Products Industry

	2011	2014	2016
Total Economic Impact	\$8.5 billion	\$9.8 billion	\$8.5 billion
Total Jobs	38,789	38,956	33,538

This crisis has also gone all the way to the tree stump, impacting more than 400 logging contractors in the state and at least 500 jobs. To put this into perspective, over just the last three years, we are talking about the loss of 121,000 undelivered truckloads of wood, or 30% of the total amount of fiber consumed by Maine mills.

Looking prospectively, if electricity prices don't increase and there isn't a viable pathway for full utilization of the stand-alone biomass electric facilities, we could be facing a doomsday situation by the end of 2018 whereby the total loss of the biomass industry in Maine could lead to the loss of 400 direct jobs at the biomass plants and at least another 900 indirect jobs, primarily in regions of the state that cannot afford more job losses. Total economic losses to the state of Maine from these losses could be as high as \$300 million per year.

It's hard to clearly define a crisis, but in my estimation, we are in one. Without a strong biomass market, that crisis will only worsen as loggers and associated markets, take for example sawmills, lose the revenue biomass sales generate while incurring additional costs for disposal of biomass suddenly rendered worthless.

Over the years, loggers have become adept at finding a market for every portion of a harvested tree – including low value tree tops and limbs. The revenue brought in by selling these products is part of the business plan of virtually every logger in Maine, and as their operational costs have increased, they have come to depend on it. Take that revenue away and many logging companies and associated businesses will shed jobs or close entirely, but that is just the beginning of the problem.

The biomass market serves another vital need in the forest products industry, and that is disposal of residuals. Without these markets loggers are limited on the wood that they can sell to sawmills and paper mills, and these mills are left with literally millions of tons of sawdust, chips, and bark with nowhere to go. The costs and environmental impacts of this must be taken into account when weighing the value of programs that aid the biomass market.

In 2016, Maine's Legislative and the Executive Branches came together in support of Maine's rural economy to approve contract incentives for producers of biomass electricity in order to maintain a viable biomass market for our loggers and sawmills. This decision came after careful consideration and months of review, but in the end, the right decision was made.

However, knowing that a lifeline was not meant to be a longterm solution, the next step was to plan for the future. Also in 2016, Maine's Legislature created a bi-partisan commission to study the economic, environmental and energy benefits of the Maine biomass industry. This blue-ribbon, legislatively appointed Commission, was created to study the use of biomass in a thoughtful and meaningful way with the intent to create a long-term roadmap at a critical point in time. Short-term solutions were vital, but the roadmap would provide a plan for sustainability that had not been done before. The Legislature, and the industry both knew that a crisis was upon us. However, instead of managing by crisis, it took the bull by the horns and created a plan for success rather than throwing darts in the dark.

This commission looked at biomass from a very broad perspective, not just with respect to harvest residuals for electric generation, but also at the entire value chain, to understand how intertwined each component is with each other from a current use perspective. The commission quickly learned that biomass is more than just harvest residuals, it is also sawmill and manufacturing residuals, it is pellets and it also represents not just an asset, but an opportunity for rural Maine to fully utilized wood for energy.

In the end, the commission settled on a long list of policy initiatives that could elicit change. If these recommendations can be accomplished, we will have the nexus of a long-term economic development strategy for rural Maine through the utilization of one of our greatest natural resources.

The following policy initiatives could diversify and achieve this strategy:

1. **BENCHMARK OTHER REGIONAL and Global SOLUTIONS:** Identify current best practices around the utilization of wood for energy and byproducts that could be created, including but not limited to thermal, biogas recovery, activated carbon and biofuel applications from other states and foreign countries that have made a commitment to the use of wood for thermal energy.
2. Expand the renewable portfolio standard.
3. Create a thermal class carve-out of the RPS.
4. Create an economic benefit carve out of the RPS to provide stability for the stand-alone electric generators.
5. Require the Efficiency Maine Trust to factor in economic benefits and not just efficiency when providing grants or incentives.
6. Address high backup and standby electric charges by creating a process whereby a consumer (who stays connected to a transmission and distribution utility, even though they receive their electricity supply directly from a generator through an arrangement or produce their own electricity) and transmission and distribution utility negotiate the rate paid by the consumer for backup and standby charges.
7. Enable co-location and other projects utilizing behind-the-meter arrangements first as a pilot project, then with the ability to expand statewide. Provide clarity that an entity that constructs, maintains or operates a microgrid, allowed by law can construct and maintain electric lines, including poles or other related structure in, upon, over, across, or under a road, street or other public way without objection from the public utility.
8. Require biomass to be more specifically considered in the comprehensive state energy plan prepared by the Governor's Energy Office.
9. Renew and expand the Community-Based Renewable Energy Pilot Program as a solution to regional sawmill residual and in-woods biomass output. Develop a scenario with a series of wood energy facilities strategically located to service regional energy and forest product's needs.
10. Encourage and the **USE OF WOOD THERMAL SYSTEMS.** Examine the opportunity to incentivize schools, other public institutions, and small and medium sized businesses to convert to wood based thermal and/or CHP systems, including pellet, chip, and biomass systems.

Clearly, many of the solutions that we are reviewing here in Maine are on the state level, however, there is much that can be done to provide further stability from the top down.

Senator King, who is a member of this committee, along with his colleague from Maine, Senator Collins, have taken the lead and should be commended on their work to move policy initiatives forward that will provide a more certain future. I urge the Committee to join him in doing the same. Specific policies that are on the table include:

- 1) Permanently codify the principle of biomass carbon neutrality within all federal agencies. Support the key role that forests in the United States can play in addressing the energy needs of the United States, the Secretary of Energy, the Secretary of Agriculture, and the Administrator of the Environmental Protection Agency shall, consistent with their missions, jointly—
 - a) ensure that Federal policy relating to forest bioenergy— (A) is consistent across all Federal departments and agencies; and (B) recognizes the full benefits of the use of forest biomass for energy, conservation, and responsible forest management; and

(b) establish clear and simple policies for the use of forest biomass as an energy solution, including policies that— (A) reflect the carbon-neutrality of forest bioenergy and recognize biomass as a renewable energy source, provided the use of forest biomass for energy production does not cause conversion of forests to non-forest use. (B) encourage private investment throughout the forest biomass supply chain, including in:

- (i) working forests;
- (ii) harvesting operations;
- (iii) forest improvement operations;
- (iv) forest bioenergy production;
- (v) wood products manufacturing; or
- (vi) paper manufacturing;

(c) encourage forest management to improve forest health; and (D) recognize State initiatives to produce and use forest biomass.

- 2) Pass the *Biomass Thermal Utilization Act of 2017*, legislation that incentivizes the development of biomass as an affordable, clean, and home-grown source of energy as introduced by Senator King. Specifically, the *BTU Act* would: a) underscore that heat from biomass is an underutilized energy source in the United States; and b) add biomass fuel property to the list of existing technologies that qualify for the residential renewable energy investment tax credit. This would provide a great path forward to encourage the use of pellet and wood chip thermal heating systems.
- 3) And finally, be wary of supporting policies that may have unintended consequences. On September 7th, Senator Al Franken (D-Minnesota) introduced a new energy title for the Farm Bill. Among its many provisions, the energy section will support advanced biofuel production, which could include wood based fuel, and will improve the market for ag. feedstocks. One concerning part of the bill is that it provides a sizable amount for BCAP (\$70 million / year over 5 years), which was not helpful the last time that it was approved.

In closing, I would like to thank you for hosting this hearing and bringing these issues to the forefront. If we all work together, in the end, we could lower compliance costs for industrial ratepayers, new markets could be created for the utilization of biomass with thermal projects, the stand alone generators could become more efficient, Maine businesses could pay less for electrical demand and bear some of the risk that they are on the hook for right now, rural Maine could benefit from co-located businesses and in the end, energy policy would spur economic development, saving and creating jobs that every logger, trucker and politician in this room could be thankful for.

From the landowners who cultivate it, to the foresters that oversee it, to the loggers who harvest and process it, to the truckers who deliver it, to the sawmills that create it to the generation facilities that utilize it, and the citizens who benefit from the electricity it provides; renewable biomass is often underappreciated for its holistic and systemic impact. The economic impacts are limitless and they should be enhanced, rather than adversely impacted by non-indigenous sources of energy.

Thank you for the opportunity to provide the opinion of our membership before you today and I would be happy to answer any questions you may have.