



**American Forest & Paper Association
and
American Wood Council**

Statement Submitted for the Record

**Joint Meeting
Senate Environment and Natural
Resources Committee
and
House Energy and Environment
Committee**

SB 557, SB 748, HB 2135 and HB 2468

The American Forest & Paper Association and the American Wood Council appreciate this opportunity to provide the following views to the Senate Environment and Natural Resources Committee and the House Energy and Environment Committee on SB 557, SB 748, HB 2135 and HB 2468. For the reasons stated below, we oppose the bills.

Introduction

The American Forest & Paper Association (AF&PA) serves to advance a sustainable U.S. pulp, paper, packaging, tissue and wood products manufacturing industry through fact-based public policy and marketplace advocacy. AF&PA member companies make products essential for everyday life from renewable and recyclable resources and are committed to continuous improvement through the industry's sustainability initiative - [*Better Practices, Better Planet 2020*](#). The forest products industry accounts for approximately 4 percent of the total U.S. manufacturing GDP, manufactures over \$200 billion in products annually, and employs approximately 900,000 men and women. The industry meets a payroll of approximately \$50 billion annually and is among the top 10 manufacturing sector employers in 45 states.

The American Wood Council (AWC) is the voice of North American wood products manufacturing, representing over 75 percent of an industry that provides approximately 400,000 men and women in the United States with family-wage jobs. AWC members make products that are essential to everyday life from a renewable resource that absorbs and sequesters carbon. Staff experts develop state-of-the-art engineering data, technology, and standards for wood products to assure their safe and efficient design, as

well as provide information on wood design, green building, and environmental regulations.

In Oregon, paper and wood products manufacturers employ over 28,000 people at 174 manufacturing facilities, meeting an annual payroll in excess of \$1.7 billion. Our companies pay an estimated \$264 million in state and local taxes in Oregon.

Forest Products Industry's Reduction of GHG Emissions

The forest products industry produces and uses renewable energy for manufacturing operations and is a significant contributor to our country's existing base of renewable energy. In fact, paper and wood products facilities account for 62 percent of the renewable biomass energy consumed by all manufacturing sector facilities.¹ On average, over 66 percent of the energy used at AF&PA member pulp and paper mills, and over 75 percent of the energy from AWC member wood products facilities is generated from carbon-neutral biomass.

The industry also strives to use all types of energy as efficiently as possible. The industry is a leader in the use of combined heat and power (CHP) technology, which is extremely efficient because it uses the same fuel to produce both thermal energy used in the manufacturing process and electricity, some used on-site and some sold to the grid. In 2014, pulp, paper, packaging, and wood products mills produced 30 percent of the CHP electricity generated by manufacturing facilities. In fact, in 2014, 97.6 percent of electricity generated in the U.S. forest products industry was produced using CHP.

The use of CHP provides energy efficiencies in the range of 50 to 80 percent at forest products mills, far beyond non-CHP electrical stations such as utilities, which are only about 33 percent energy efficient. Unlike the CHP commonly used by utilities and other manufacturers, most of the CHP processes used in the pulp and paper and wood products industry are highly integrated into the manufacturing process. The biomass residuals from the manufacturing process – e.g., bark, spent pulping liquor, sawdust, shavings, trim ends, and paper residuals that cannot be used for products – are used as the primary fuel to power the mills and to provide electricity for the grid.

Our commitments to renewable biomass energy and energy efficiency, including our extensive use of CHP, have led to a dramatic increase in energy efficiency and decrease in the sector's GHG emissions. AF&PA member purchased energy use per ton of production was 8.1 percent lower in 2014 compared to the baseline year of 2015 (making significant progress toward achieving AF&PA's *Better Practices, Better Planet 2020* goal of at least a 10 percent reduction in purchased energy).

Regarding GHG emissions, in its 2016 Sustainability Report, AF&PA announced that GHG emissions from member facilities were reduced by 16 percent, surpassing the 15 percent reduction goal ahead of schedule. Just last month, AF&PA announced a new

¹ The U.S. manufacturing sectors that use renewable biomass energy includes the paper and wood products industry, as well as the chemicals and bio-refineries manufacturing industries.

GHG reduction goal of 20 percent by the year 2020 under its *Better Practices, Better Planet 2020* initiative.

As stated, AWC member companies met almost 75 percent of their energy needs from renewable, carbon neutral biomass energy in 2014, thereby avoiding emissions from other more GHG-intensive fuels. The current inventory of wood structures in the U.S. is estimated to store 1.5 billion metric tons of carbon, which is equivalent to 5.4 billion tons of CO₂. Using wood as a substitute product in construction could save 14 to 31 percent of global CO₂ emissions and 12 to 19 percent of global fossil fuel consumption.²

According to a study by the National Council for Air and Stream Improvement (NCASI), the use of biomass residuals each year by the forest products industry avoids the emission of approximately 181 million metric tons of carbon dioxide equivalents (CO₂e).³ (This is equivalent to removing about 35 million cars from the road.)

Forest Products Manufacturers are Energy Intensive and Trade Exposed

AF&PA and AWC members manufacture a wide variety of value-added forest products, such as paper, packaging, wood products, wood-based chemicals, and other innovative wood-based products. Energy is the third highest manufacturing cost for our members. In 2015, the forest products industry spent \$9.4 billion on purchased energy.

Our members operate in a highly competitive global market and face fierce international competition. They cannot automatically pass on higher raw material and energy costs resulting from the GHG reduction mandates in the bills to their customers and still remain competitive. Further, many AF&PA and AWC members' facilities, including those in Oregon, are located in rural areas, and provide high-paying jobs for those communities. Those jobs are a critical driver of the overall economic health of those oftentimes vulnerable communities.

Key Concerns

Our comments below are directed at cap and trade and carbon tax programs because the proposed legislation that are the subject of today's hearing contemplate both approaches to GHG reduction.

GHG emissions are global and they cannot effectively be addressed on a local or state level. A single state-based cap-and-trade or carbon tax program would put forest product mills in Oregon at a competitive disadvantage with respect to forest products

² Chadwick Dearing Oliver, Nedal T. Nassar, Bruce R. Lippke & James B. McCarter (2014) Carbon, Fossil Fuel, and Biodiversity Mitigation With Wood and Forests, *Journal of Sustainable Forestry*, 33:3, 248-275, DOI: 10.1080/10549811.2013.839386

³ See NCASI, *Greenhouse Gas And Fossil Fuel Reduction Benefits of Using Biomass Manufacturing Residuals for Energy Production in Forest Products Facilities*, Technical Bulletin No. 1016 (Rev. Aug. 2014), available at <http://www.ncasi.org/Downloads/Download.ashx?id=9603>; Gaudreault, C. and Miner, R., *Temporal Aspects in Evaluating the Greenhouse Gas Mitigation Benefits of Using Residues from Forest Products Manufacturing Facilities for Energy Production*. *J. of Industrial Ecology* 19(6):994-1007 (2015), at 1,004.

manufacturers in other states and around the world. Any cap and trade or carbon tax program resulting from the bills also would result in leakage and displacement of Oregon forest products industry to other states or other countries where GHG emissions will still be generated. This leakage actually could produce a net increase in GHG emissions because Oregon already has one of the least carbon-intensive economies in the world.

Further, aside from the direct costs that would be incurred by the industry for compliance, our members in Oregon would incur indirect costs as well. Any price set for carbon emissions will elicit responses beyond just the emitting entities paying for those emissions. For example, a price on carbon will increase the demand (and price) for natural gas, particularly by the power generation sector. We will also encounter supply chain, purchased electricity, and product distribution costs. These costs would adversely affect the mills' global competitiveness, jobs, and other economic and social benefits they provide for their communities.

Mitigating the Negative Impacts of GHG Reduction Mandates

AF&PA and AWC believe that any program to reduce greenhouse gas (GHG) emissions should preserve the competitiveness of American manufacturing and promote the GHG benefits of managed forests, forest products, and biomass-based renewable energy. We recommend that the state perform a thorough study and analysis of employment and economic effects and net global GHG emissions impacts before considering any GHG reduction measures. A detailed study and analysis should be completed on the direct and indirect impacts to Oregon forest products manufacturing and other energy-intensive/trade exposed (EITE) industries before moving forward.

Any program should recognize and give credit to the Oregon mills for their voluntary early actions that successfully reduced GHGs for years. Many of those reductions were due to capital-intensive fuel switching or energy efficiency projects, and the mills should receive credit for those actions.

Auctions of allowances also are contemplated in the proposed legislation. Any auction program should include an adequate allocation of emission allowances for affected energy-intensive industries, such as the forest product industry.

As stated, forest products mills are leaders in the use of highly efficient CHP technology. GHG reduction policies should recognize the benefits of, and promote investment in CHP by providing credit for the avoided emissions associated with a CHP unit. The credit should be equal to the difference in CO₂ emissions generated by a CHP system as compared to the equivalent CO₂ emissions associated with generation of electricity by utility companies and the separate on-site generation of thermal energy, plus credit for avoided emissions associated with the avoided transmission losses, which U.S. Environmental Protection Agency estimates to be 7 or 7.5 percent

Conclusion

AF&PA and AWC member companies have a longstanding commitment to practices that

ensure the sustainability of our resources and that reduce GHGs. AF&PA and AWC oppose these bills because they will not achieve their intended result and because of the negative impacts on our members.

We thank the Committees for the opportunity to share our concerns. If you have any questions, please contact Terry Webber, Director, Government Affairs at Terry_Webber@afandpa.org or (971) 235-8816.