



**American  
Forest & Paper  
Association**

**American Forest & Paper Association (AF&PA)  
Testimony in Opposition to House Bill 363  
Clean and Renewable Energy Standard (CARES)**

**February 28, 2020**

The American Forest & Paper Association (AF&PA) appreciates the opportunity to share concerns with House Bill 363. The bill would remove black liquor (liquid biomass) from the definition of “Qualifying Biomass” and would create a “Clean and Renewable Energy Standard” (CARES) with certain specified clean energy resources. Because the bill is inconsistent with the goals of the Renewable Portfolio Standard (RPS), unfairly discriminates against the bioenergy produced at paper and paper-based manufacturing facilities, and does not appropriately recognize bioenergy as “clean energy,” we must respectfully ask the Committee to give HB 363 an unfavorable report.

### **Introduction**

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](#) (BPBP2020). The forest products industry accounts for approximately four percent of the total U.S. manufacturing GDP, manufactures nearly \$300 billion in products annually and employs approximately 950,000 men and women. The industry meets a payroll of approximately \$55 billion annually and is among the top 10 manufacturing sector employers in 45 states.

AF&PA’s sustainability initiative — *Better Practices, Better Planet 2020* — comprises one of the most extensive quantifiable sets of sustainability goals for a U.S. manufacturing industry and is the latest example of our members’ proactive commitment to the long-term success of our industry, our communities and our environment. We have long been responsible stewards of our planet’s resources. We are proud to report that our members have already achieved the greenhouse gas reduction and workplace safety goals. Our member companies have also collectively made significant progress in each of the following goals: increasing paper recovery for recycling; improving energy efficiency; promoting sustainable forestry practices; and reducing water use.

## **Industry Presence in Maryland**

The forest products industry in Maryland operates 44 manufacturing facilities employing more than 6,000 individuals with an annual payroll of over \$321 million and produced \$2.5 billion in products. The estimated annual state and local taxes paid by the Maryland forest products industry totals \$31 million.

We recognize that the major industry mill in the state—the Verso Luke mill—closed in 2019, so this information does not reflect that closure. But we want to emphasize that even without that mill, the industry is an economic contributor in Maryland, producing consumer product packaging, sales displays, and corrugated packaging, among other products. Also, as discussed below, the out-of-state companies that are selling biomass Renewable Energy Credits (RECs) into Maryland still have an economic presence in the state.

## **Removing Liquid Biomass from the RPS Sends the Wrong Signal About Maryland’s Business Climate**

The closure of the Luke mill was a significant economic blow to Western Maryland. A study by the Economic Policy Institute found that for every person employed directly by the paper industry, an additional 3.25 jobs are generated in supplier industries and in local communities as the result of employees spending their wages and paying taxes. Not only was the Luke Mill a major employer for over a century, but it is a backbone of the community, even serving as the power plant and wastewater treatment facility for the region. Maryland policymakers are diligently working to find a productive use for the site and its assets.

It is unknown whether the site will be purchased by another party—whether another forest products company or a different business entirely. However, according to testimony submitted on SB 168 on February 4, the site owners are performing needed maintenance and taking other steps that would allow a mill owner to quickly return the site to productive operation. In addition, the site has various assets to offer a buyer that might be considering existing facilities around the country. To the extent a potential buyer also could realize a revenue stream from selling RECs, a potential purchase could be more attractive. Removing liquid biomass from the RPS sends the wrong signal about the state’s intention to return the site to productive use.

## **AF&PA Members Generate Renewable Energy, Have Improved Their Energy Efficiency and Reduced Fossil Fuel Use and Greenhouse Gas (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. On average, approximately two-thirds of the energy used at AF&PA member pulp and paper mills 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 2018, over 98 percent of electricity produced by the industry was CHP-generated. 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.

Our commitments to renewable biomass energy and energy efficiency, including our extensive use of CHP, have led to a dramatic decrease in the sector's use of fossil fuel and GHG emissions. Energy purchased by member pulp and paper mills has decreased dramatically. In 2016 we achieved our *BPBP2020* purchased energy efficiency goal with an 11.6 percent improvement since 2005, surpassing our 10 percent goal. Further, in 2016 AF&PA member GHG emissions were 19.9 percent less than the 2005 baseline year, almost achieving our new 2020 goal of 20 percent reduction.

### **The Bill is Inconsistent with the Goals of the RPS**

When it was enacted, Maryland legislators provided several goals for the RPS, including to recognize the economic, environmental, fuel diversity and security benefits of renewable energy resources, and to establish a well-functioning market for renewable electricity. The bill would work contrary to these goals: it does not recognize the benefits of numerous renewable energy resources; decreases fuel diversity; and, interferes with the functioning of the market, as it creates favored resources and upends investor expectations. Furthermore, the legislature's frequent changes to the RPS make business planning in the state more challenging.

### **Baseload Power is Needed**

It would be counterproductive to remove reliable baseload renewable electricity from the portfolio, which is exactly what is needed to complement intermittent sources such as wind and solar. With increased intermittent deployment, saturation becomes an issue. Once wind or solar facilities reach a saturation point, no additional energy can be used by the grid--in fact those energy sources might have to be curtailed. In other words, during the day if there is more wind or solar power being produced than is needed for the system, those sources would have to be curtailed to prevent a system overload. In contrast, pulp and paper mills generate their own renewable, carbon neutral energy to displace fossil fuels, and do so using stringent environmental controls.

### **The Bill Discriminates Against Biomass Energy Resources, Which Provide Clean, Renewable Power with Extensive Greenhouse Gas (GHG) Reduction Benefits**

The bill would remove "black liquor" from the definition of Qualifying Biomass. Over the years that the legislature has been considering changes to the RPS, concerns have

been raised as to the carbon neutrality and GHG reduction benefits of liquid biomass (also known as black liquor) in the RPS. Those concerns are unfounded.

Below here are some insights into the greenhouse gas reduction benefits of renewable biomass energy:

- A bipartisan amendment was agreed to in the 2017 Omnibus Appropriations Act passed in May 2017 that required three federal agencies to work together to create a consistent policy on biomass carbon neutrality. Former Maryland Senator Mikulski signed a letter stating that there has been no dispute about the carbon neutrality of biomass derived from residuals of forest products manufacturing and agriculture. That provision has been included in the appropriations acts for 2018, 2019 and 2020, as well.
- A study referenced in the debate found enormous greenhouse gas reduction benefits from using biomass manufacturing residuals for energy in the industry—each year avoiding the emission of approximately 181 million metric tons of CO<sub>2</sub>e. (Equivalent to removing about 35 million cars from the road.)
- The rest of the world recognizes the carbon neutrality of forest products manufacturing residuals, and competitors in Europe are rewarded with credits. The bill would set an adverse precedent for energy policy in the U.S., potentially placing U.S. mills at a competitive disadvantage.
- Most importantly, as indicated in Appendix II, specifically regarding liquid biomass (black liquor):
  - During the previous Administration under EPA Administrator Gina McCarthy, the agency found that black liquor can be *even better than carbon neutral* under certain scenarios, assigning it a negative biogenic assessment factor.
  - Dr. Timothy Searchinger, the scientist who prompted the discussion about the carbon neutrality of biomass, stated specifically that “black liquor from paper making” is an “advisable” source of biomass energy use. In addition, in a joint paper with Dr. Steve Hamburg, the Chief Scientist of the Environmental Defense Fund, both scientists stated that “biomass should receive credit to the extent its use results . . . from the use of residues or biowastes.”

### **The Renewable Energy Resources in the Maryland RPS Are Predominantly Out of State**

The facilities selling liquid biomass RECs in the Maryland RPS have been criticized because they are predominantly out of state. However, the entire Maryland RPS is dominated by out-of-state resources. In 2018, only 19 percent of all the Tier I RECs used for compliance were from in-state—the same percentage for wind and solar Tier 1 RECs combined. Indeed, regarding wind in particular, only 2.7 percent of the Tier 1

RECs originated in Maryland, while 8.9 percent of black liquor RECs did.<sup>1</sup> Most wind RECs -- 54.7 percent -- originated from facilities in Illinois.

We recognize that with the closure of the Luke mill, there are no in-state liquid biomass resources selling RECs into Maryland. However, the out-of-state companies selling those RECs have a much greater connection and make much greater economic contributions to Maryland, than, for example, the wind resources from Illinois, which were the number one Tier I REC contributors in 2018. For example, WestRock has facilities in Hunt Valley and Baltimore providing over 100 jobs using base materials produced at the Covington paper mill, which sells RECs into the Maryland RPS. Additionally, Pixelle, another company selling into the Maryland RPS, employs fulltime workers in Delmar, MD with a \$1 million operating budget and \$9 million dollars' worth of annual timber purchases, which helps provide resources for practicing sustainable forest management throughout the value chain in the state.

### **Other Resources are Growing Rapidly**

Wind and Solar RECs have rapidly increased their share of the Tier I RPS, while liquid biomass' share has decreased significantly. As stated in the Maryland Public Service Commission's 2018 RPS Report:

“Total wind RECs retired for compliance have nearly tripled since 2015, and year-over-year wind REC retirements increased by approximately 43 percent. In contrast, black liquor (BLQ) REC retirements have fallen to the lowest levels since 2013, with a year-over-year decrease of about 23 percent.<sup>2</sup>”

If the bill's sponsors' goal is to favor wind and solar RECs over liquid biomass, it seems that the market is heading in that direction anyway. There is no need to disrupt the market and the business plans of electricity suppliers and REC providers by enacting a complete ban on liquid biomass RECs.

### **Biomass Energy is Clean Energy**

The forest products industry is making large investments in highly efficient biomass energy that meets stringent state-of-the-art environmental standards. Biomass is burned in industrial boilers under very exacting conditions to optimize efficiency and production of energy. Boilers are operated from highly sophisticated, computerized control rooms that continuously monitor combustion conditions. EPA continuously examines air regulations to ensure they adequately protect public health and the environment.

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<sup>1</sup> Renewable Energy Portfolio Standard Report, With Data for Calendar Year 2018, Public Service Commission, December 2019 (“PCS RPS Report”), Figure 6 (<https://www.psc.state.md.us/wp-content/uploads/CY18-RPS-Annual-Report.pdf>).

<sup>2</sup> PCS RPS Report, page 13.

EPA recently confirmed there are no significant risks from recovery furnaces and other major parts of pulp and paper mills on the surrounding areas.<sup>3</sup>

### **The Clean Energy Standard Does Not Appropriately Recognize Bioenergy as Clean Energy**

We understand that the bill sponsors' intent in establishing a new clean energy standard is to foster innovation and develop new technologies to achieve challenging GHG reduction goals. However, we have two concerns with the definition of "Clean Energy Resource." First, both "natural gas and qualifying biomass generating station[s]" with carbon capture systems are treated equally in the standard. This ignores that, as discussed above, biomass energy is carbon neutral while natural gas is a fossil fuel; both have very different GHG reduction benefits. Second, the efficiency requirements for CHP are extremely aggressive and could bar the participation in the standard of even very efficient CHP facilities. This would be counterproductive because CHP facilities are inherently efficient since they generate both heat and power from the same energy input.

### **Conclusion**

The forest product industry has played an important role in helping Maryland and the nation meet their renewable energy objectives. HB 363 could impede our ability to continue doing so. We have increased energy efficiency, displaced fossil fuels and reduced GHG emissions in a very sustainable manner. We request that the Committee give the bill an unfavorable report.

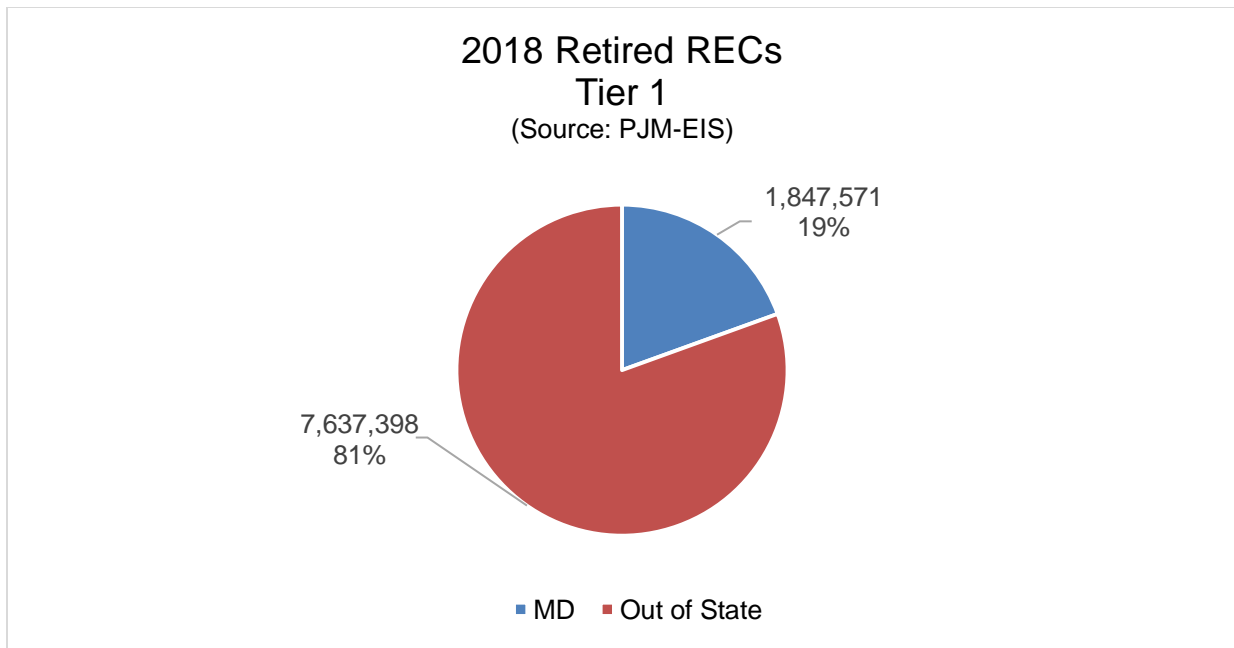
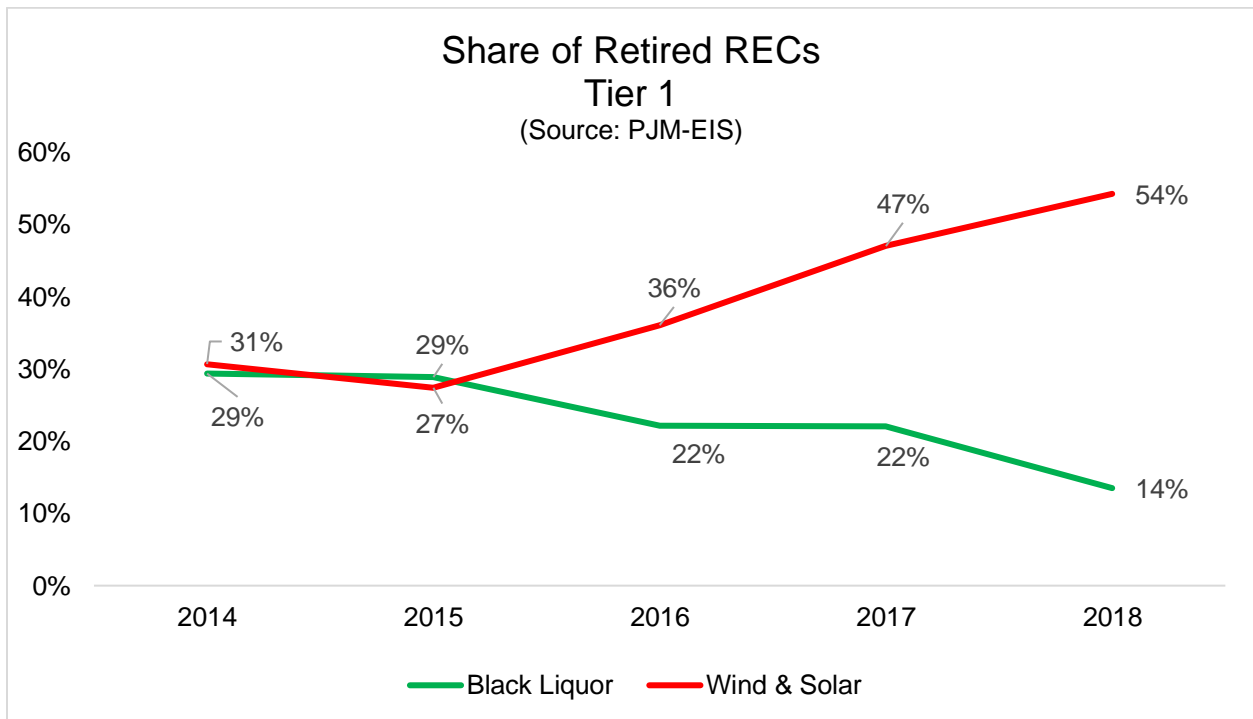
We look forward to continuing our work with the state of Maryland. Please feel free to contact Jerry Schwartz, Senior Director, Energy and Environmental Programs, AF&PA at (202) 463-2581 or [jerry\\_schwartz@afandpa.org](mailto:jerry_schwartz@afandpa.org) for further information.

Thank you.

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<sup>3</sup> EPA conclusion of no significant risks for the major parts of pulp and paper mill operations was concluded in two phases, first in 2012 and then in 2017 as it finished its risk and technology review of the 1998 and 2001 Cluster Maximum Achievable Control Technology (MACT) rulemakings.

APPENDIX I



## APPENDIX II

### There is Widespread Recognition of Forest Products Manufacturing Residuals as Carbon Neutral

- **U.S. Environmental Protection Agency**, Memorandum from Janet G. McCabe, Acting Assistant Administrator, Office of Air and Radiation, to Air Division Directors, Regions 1-10 (Nov. 19, 2014) (“Information considered in preparing the second draft of the Framework, including the [Science Advisory Board] peer review and stakeholder input, supports the finding that use of waste-derived feedstocks and certain forest-derived feedstocks are likely to have minimal or no net atmospheric contributions of biogenic CO<sub>2</sub> emissions, or even reduce such impacts, when compared with an alternative fate of disposal.”) (p. 2)
- **U.S. Environmental Protection Agency**, *Draft Framework for Assessing Biogenic CO<sub>2</sub> Emissions from Stationary Sources* (Nov. 19, 2014) (“The information in this appendix, including example calculations of alternative fate-related biogenic emissions, supports that a 0 or negative [biogenic] assessment factor for black liquor may be reasonable.”) (Appendix D, p. D-22); (**calculating negative biogenic assessment factors for black liquor** and stating that “avoided emissions associated with disposal of black liquor as compared with the current management practice (burning for energy and chemical recovery in a recovery furnace) **resulted in hypothetical example [biogenic assessment factors] BAFs ranging from different negative values to 0**, depending on the treatment method.”) (Appendix D, p. D-31)
- **Dr. Timothy Searchinger** and Ralph Heimlich “Avoiding Bioenergy Competition for Food Crops and Land.” World Resources Institute (2015) (**listing “black liquor from paper making” as “advisable” sources of biomass energy use**) (p. 22 and Table 3, p. 24)
- **Dr. Timothy Searchinger, Dr. Steven Hamburg**, et al., “Fixing a Critical Climate Accounting Error,” *Science* (Oct. 22, 2009) (“Instead of an assumption that all biomass offsets energy emissions, **biomass should receive credit to the extent its use results . . . from the use of residues** or biowastes.”)  
**Note:** Steve Hamburg is the Chief Scientist of the Environmental Defense Fund.
- Caroline Gaudreault and Reid Miner, *Temporal Aspects in Evaluating the Greenhouse Gas Mitigation Benefits of Using Residues from Forest Products Manufacturing Facilities for Energy Production*. *Journal of Industrial Ecology* (Dec.



2015), at 1,004-05 (“[The ongoing use of manufacturing residues for energy in the forest products industry has been yielding net benefits for many years. . . . [T]he use of biomass residues from forest products manufacturing, including black liquor, to produce energy in the U.S. forest products industry for 1 year avoids, over a 100-year period, 181 million t CO<sub>2</sub>-eq/yr. The avoided disposal of the forest products manufacturing residues alone (i.e., ignoring [fossil fuels] substitution and chemical recovery benefits) results in a GHG benefit of approximately 5 million t CO<sub>2</sub>-eq/yr.”)

- Reid Miner, Robert Abt, et al., “Forest Carbon Accounting Considerations in U.S. Bioenergy Policy,” *Journal of Forestry* (Aug. 29, 2014) (“. . . if mill residues were not used for energy, most of these materials . . . would be wastes that would be either incinerated, in which case the atmosphere would see the same biogenic CO<sub>2</sub> emissions as if the material had been burned for energy, or disposed in landfills . . . [in which case] the net impact of burning for energy on biogenic emissions, in terms of warming (i.e., CO<sub>2</sub> equivalents), can actually be less than zero because of the warming potency of the methane generated in landfills.”)
- U.S. Environmental Protection Agency, “Carbon Pollution Emission Guidelines for Existing Stationary Sources: Electric Utility Generating Units; Final Clean Power Plan Rule,” 80 Fed. Reg. 64,661, 64,885-86 (Oct. 23, 2015) (“The EPA recognizes that the use of some biomass-derived fuels can play an important role in controlling increases of CO<sub>2</sub> levels in the atmosphere. The use of some kinds of biomass has the potential to offer a wide range of environmental benefits, including carbon benefits. . . . With regard to assessing qualified biomass proposed in state plans, the EPA generally acknowledges the CO<sub>2</sub> and climate policy benefits of waste-derived biogenic feedstocks and certain forest- and agriculture-derived industrial byproduct feedstocks, based on the conclusions supported by a variety of technical studies, including the revised *Framework for Assessing Biogenic Carbon Dioxide for Stationary Sources*.”)
- Linda A. Joyce (U.S. Forest Service), Steven W. Running (U. of Montana), et al., *Climate Change Impacts in the United States: The Third National Climate Assessment*, Ch. 7: Forests, U.S. Global Change Research Program, doi:10.7930/J0Z60KZC (2014) (“Forest biomass energy could be one component of an overall bioenergy strategy to reduce emissions of carbon from fossil fuels, while also improving water quality, and maintaining lands for timber production as an alternative to other socioeconomic options.”) (p. 182)
- Dr. Roger A. Sedjo, Resources for the Future, “Carbon Neutrality and Bioenergy: A Zero-Sum Game?” RFF DP 11-15 (April 2011) (noting that both sides in the carbon

neutrality debate [see two letters below] recognize that “some biomass, such as dead wood and forest debris, can constructively be used for bioenergy, since it will otherwise release carbon through natural decomposition . . . thus no net emissions result from its use as energy”) (p. 3)

- Dr. Bruce Lippke, Professor Emeritus, University of Washington School of Forest Resources, et al., Letter to Congress from Forest Scientists (July 20, 2010) (“equating biogenic carbon emissions with fossil fuel emissions . . . is not consistent with good science and, if not corrected, could stop the development of new emission reducing biomass energy facilities. It also could encourage existing biomass energy facilities to convert to fossil fuels or cease producing renewable energy. This is counter to our country’s renewable energy and climate mitigation goals.”)
- **Dr. William H. Schlesinger, Member, National Academy of Sciences**, et al., Letter to Congress from Scientists (May 17, 2010) (“**Bioenergy can reduce atmospheric carbon dioxide if . . . bioenergy can use some vegetative residues** that would otherwise decompose and release carbon to the atmosphere rapidly.”)
- **Environmental Defense Fund**, “Comments on the Science Behind EPA’s Proposed Accounting Framework for Biogenic CO<sub>2</sub> Emissions From Stationary Sources” (Oct. 18, 2011) (“enterprises should be allowed . . . to demonstrate that they are using biomass sourced from materials with no or limited impacts on net emissions. . . . **Those who can demonstrate they are using wastes and other low emissions feedstocks would be assigned a BAF of 0 or near 0.**”) (p.5)