



February 4, 2020

The Honorable Delores Kelley, Chairwoman
Senate Finance Committee
3 East Miller Senate Office Building
11 Bladen Street
Annapolis, Maryland 21401

**Comments on Senate Bill 168 – Electricity – Renewable Energy Portfolio Standards –
Qualifying Biomass**

Dear Chairwoman Kelley:

Thank you, Chairwoman Kelley and members of this committee for the opportunity to submit comments on this legislation, SB 168. My name is Steve Thomas, and I am Senior Manager of Energy Contract for Domtar Corporation. Domtar strongly opposes SB 168 and any efforts to raise utility rates on Maryland ratepayers.

Domtar is a large producer of communication, specialty and packaging papers, market pulp and absorbent hygiene products. We are the market leader in North America in uncoated freesheet papers (your typical office writing and printing papers) employing nearly 10,000 men and women across the United States, Canada and Europe. Since 2013, Domtar has been selling renewable energy credits (RECs) to support Maryland's Renewable Energy Portfolio Standards from three qualifying facilities in Kingsport, Tennessee, Plymouth, North Carolina and Johnsonburg, Pennsylvania.

These three facilities, like most pulp and paper mills in North America use "black liquor" or liquid biomass to generate electricity. In many cases, this electricity is consumed internally by the pulp and paper making process, but in some case excess is sold back on to the grid. Black liquor includes the organic "glues and sugars" left over after the useful wood fibers have been removed from pulp wood. Collectively these glues and sugars along with water and inorganic catalysts that help release the fibers from raw wood make up what is known as black liquor.

The wood fibers released during the pulping process are used to make every day products like tissue, hygiene products and paper. Wood fibers are an increasingly important component of a clean future by providing sustainable replacements to products like drinking straws and grocery bags that are still made from fossil-based plastics.

Pulp and paper companies burn black liquor as an economic and environmental requirement of the manufacturing process. The really amazing thing is that only the wood-based organics get

burned. The inorganic catalysts remain after combustion and are reused, over and over again, to release more fiber during the pulping process in a near endless cycle. Those with concerns about black liquor are right when they say that paper companies have always burned black liquor. The point they miss, though, is that we haven't and wouldn't always create electricity by burning black liquor.

The equipment that turns the combustion of black liquor into electricity is expensive to build, expensive to maintain, and unnecessary to the pulp and paper manufacturing process. Selling the renewable attributes generated during the process is one of the ways that we can continue to offset the tremendous cost of creating renewable electricity. If paper companies quit generating electricity from black liquor new, more expensive, generation would have to be built. The cost of the new generation would be carried by all electric customers with residential and small commercial users usually paying a disproportionately higher share.

It is often said that carbon emissions of black liquor and other biomass-based generation are as high as the emissions of coal-based generation. The important point of distinction is that the CO₂ released from burning black liquor and all other biomass was in atmosphere when it was absorbed by a growing tree. The tree "sequestered" the CO₂ during its life. This CO₂ is released when the tree stops growing, whether it simply falls to the forest floor, or whether it is used to create electricity. This is why biomass is rightfully considered as "carbon neutral" because, just like wind and solar, it simply does not increase atmospheric CO₂ levels. In fact, burning is better for the environment than the alternative, since a decaying tree releases some of its sequestered carbon as methane which has more than 25 times the greenhouse effect as simple CO₂.

The real environmental success story behind the pulp and paper industry is that it takes roughly one million forested acres that are sustainably managed and biologically diverse to support the average sized pulp and paper mill. Each of these one million acres has a wide cross-section of age classes of trees where flora and fauna thrive. These forests are esthetic centers of human recreation helping to purify the air and water by their very existence. Compare this to the sterile footprint necessary for wind and solar installations. Compare the forests where birds can raise their young with wind turbines that are known to kill hundreds of thousands of birds annually. Which is more beneficial in the fight against global warming, one million acres of growing forests or 6,000 acres of sterile wind farm?

By the way, these same forests provide thousands of ongoing, sustainable jobs along with the paper products that make our lives easier. Wind and solar farms provide only a few jobs during initial construction and almost no jobs afterwards. It takes 17,000 acres of wind farm or 3,700 acres of solar generation to create as much renewable energy as a single average paper mill – there are approximately 10 pulp and paper facilities that qualify for Maryland's RPS program.

To put this into perspective, the city of Baltimore covers approximately 92 square miles, and to replace the electricity generated from those ten qualifying pulp and paper facilities would take 57 square miles (37,000 acres) of solar panels or 265 square miles (170,000 acres) of wind farm (half and three times the size of Baltimore, respectively). Another fact is that the sun does not always shine, nor does the wind always blow, but our facilities operate 24/7, providing hundreds

of direct jobs in rural communities and thousands of indirect jobs, all while maintaining millions of acres of forest land and providing around-the-clock renewable generation.

Recent articles in the Baltimore Sun and other Maryland newspapers accurately point out that “the price of RECs dropped because of an oversupply of these credits.” In fact, that cost of a REC to a Maryland ratepayer has dropped from an average of \$15.55 in 2014 to an average of \$6.23 for 2018 which is less than half of the 2014 price. Black liquor resources are saving Maryland ratepayers many millions annually by ensuring a supply of energy that is both renewable and affordable.

It has been cast as a negative that pulp and paper companies are large, solvent corporations. This is actually a very good thing and contributes to our mission to be a good corporate citizen. Pulp and paper companies can and will continue to operate even if the prices of Maryland’s RECs are driven down to \$0/REC. This is and continues to be the intent of the original Maryland RPS. Solar and wind generators need and expect high REC prices – it is central to their entire business case. Our business case for burning liquid biomass is the production of pulp and paper, not electricity, and will remain so. Much of the support for eliminating competing renewables like black liquor is to keep REC prices higher and drive better profits for wind and solar at the expense of Maryland ratepayers.

Another often heard criticism, especially since the closure of the Luke paper mill, is that black liquor generation is now based entirely on out-of-state suppliers. However, wind and solar generation only produces local revenues during the short construction phase. Afterwards, the revenues from the in-state wind and solar generators flows to the corporation that developed the project and in most cases that is outside the bounds of Maryland, all while supporting next to no jobs in Maryland or outside. Would the legislature support a solar array half the area of Baltimore to simply replace renewable energy generated from liquid biomass, only to see all the profits go to places like California?

In vying to achieve its green energy goals, Maryland should first and foremost consider its citizens – its rate payers. Any disruption to the market, such as removing 15% of the supply of RECs abruptly, will cause a harsh spike in prices, despite warnings to the opposite from the report issued by the Power Plant Research Program. Imagine if 15% of global gasoline production was removed, what would happen to prices? Those higher prices would immediately be passed on by utilities to regular consumers. Those households in lower-income communities would feel this increase the hardest and that harsh price increase would come in winter, at the beginning of January 2021, when many folks are relying on electricity to heat their homes.

The argument that prices would quickly stabilize made by the PPRP report is predicated solely on new generation entering the market to increase supply and drive down prices. But if a company’s entire business case is built around high REC prices ensuring returns to your shareholders and investors, why would you rush to build more qualifying sources just so you can drive down REC prices and see your own profits dwindle?

Consider the additional reality in the effort of removing liquid biomass from the RPS, is the fact that legislation passed last year, which doubles the renewables mandate to 50% by 2030 from 25%. In other words, not only would wind and solar have to make up for the share of RECs lost from liquid biomass, but would have to keep increasing by 2.5% per year until 2030; this critical

piece is omitted in the PPRP report. When demand out-rides adequate supply prices increase – it is simple economics. In considering this and similar legislation, Domtar urges the members of this committee to think first about their constituents, who will no doubt look for somebody to blame for their skyrocketing energy bills.

By removing qualifying green resources, upping the renewable energy mandate to 50% and intending to keep generation in the state of Maryland, the legislature is creating perfect storm of crippling electricity rate increases, which will affect already struggling Marylanders the most, all while sending millions of dollars to out of state interests that will artificially keep prices high in order to increase their bottom line.

Please do not hesitate to reach out to me should you have any questions at Steve.Thomas@Domtar.com or (803)802-8110.

Sincerely,

Steve Thomas, PE
Senior Manager, Energy Contracts