



February 20, 2020

The Honorable Dereck E. Davis, Chairman  
Economic Matters Committee  
Maryland House of Delegates  
231 House Office Building  
6 Bladen Street  
Annapolis, Maryland 21401

**Re: House Bill 98 – Electricity – Renewable Energy Portfolio Standards – Qualifying Biomass**

Dear Chairman Davis:

Thank you, Chairman Davis and members of this committee for the opportunity to submit comments on this legislation, HB 98. My name is Steve Thomas, and I am Senior Manager of Energy Contract for Domtar Corporation. Domtar strongly opposes HB 98 and any efforts to raise utility rates on Maryland ratepayers.

Domtar opposes HB 98 for a myriad of reasons including that:

- It needlessly raises electric rates on rate paying constituents;
- It eliminates the only carbon-neutral, entirely renewable, and 24x7 generation source from Maryland's renewable portfolio;
- It is shortsightedly penalizes a renewable-based industry that would be instrumental in reducing the use of consumer plastics;
- It ignores the environmental benefits of the 2.6 million acres of Maryland forests and the millions of forested acres growing in Maryland's air and watersheds; and because
- The Maryland RPS is working as originally intended so new legislation is not needed.

## **Raising Rates**

While the final Maryland Power Plant Research Program dated December 2019 implies that there would only be a slight and temporary increase in Renewable Energy Credits ("REC") prices if mill residues are excluded, actual history shows just the opposite. The rolling two-month average of Maryland Tier I prices dropped by an average of \$1.73/REC after the acceptance of Domtar's mills that deliver RECs into the Maryland RPS by the Maryland Public Service Commission in 2014, 2015 and 2016. Under the Maryland RPS program demand is inelastic so removing supply alternatives will always increase prices. Maryland's rate-paying constituents would be saddled with the resulting increase that would result from the disqualification of mill residue because the RPS is working as designed by increasing the availability and diversity of the Maryland's renewable electric supply.

Source: Karbone Renewables Brokerage daily price sheets.

## **Eliminating a diverse source of renewable electricity from Maryland ratepayers**

Biomass-based generation is available 24x7. Wind seldom peaks when Maryland electric load is highest and solar generation never peaks when Marylanders need it most. This is a function capacity factor. Biomass has a capacity factor of 83% where Maryland wind and solar generation are 31.1% and 17.2% respectively. A portfolio of renewable generation that is short on biomass lacks the ability to efficiently and cost-effectively serve Maryland ratepayers.

Sources: windaction.org and eia.gov.

Having wind, solar and biomass in Maryland's renewable portfolio is the most efficient and cost-effective way to meet the around-the-clock renewable electric needs of Maryland's ratepayers. This is also growing concern about the landfilling of the non-renewable components of wind generation.

Source: "Wind Turbine Blades Can't Be Recycled, So They're Piling Up in Landfills" in <https://www.bloomberg.com/news/features/2020-02-05/wind-turbine-blades-can-t-be-recycled-so-they-re-piling-up-in-landfills>

## **Penalizes the industry most likely to support a shift away from plastic use in packaging**

The renewable and biodegradable nature of the paper and pulp industry along with newly available production capacity resulting from falling demand, offer up the potential that Pulp and Paper can help reduce the environmental impact of the fossil-based packaging industry if society decides to move in that direction. Arbitrarily disqualifying biomass as a renewable energy source lengthens the time and increases the cost of finding sustainable alternatives to fossil-based packaging and the slow to decoy plastic littering that often times results.

## **Ignores the massive environmental benefits of millions of expanding forests in Marylander's watershed and airshed.**

The Domtar mills that deliver RECs into Maryland's RPS program represent roughly two million acres of growing, expanding forests that have been sustainably managed for many decades supplying cellulosic fiber. These forests are diverse in age and species mixes and provide Marylanders with cleaner air and cleaner water along with providing many environmental and societal benefits. The growth of these forests exceeds removals by a factor of 2.65 and 1.56. Numbers greater than 1.0 mean that the forest is actively sequestering atmospheric carbon proving that our mills are an integral part of an environmental system that is sequestering atmospheric carbon. The processing of raw wood also reduces forest decomposition of organics and greatly reduces methane emissions that are known to be more than 25 more virulent than equal amounts of carbon dioxide. Removing black liquor and other mill residues from the Maryland RPS only makes it more difficult and more costly for our industry to sustain these forests and threatens the many environmental benefits these forests provide.

Source: Forest2Market and US Forest Service Inventory and Analyses programs.

## **Maryland's RPS program is working as intended**

Without further changes, Maryland's RPS program is part of a system of state RPS programs that are inspiring the growth of the renewable energy industry that includes wind and solar. With REC prices currently at \$9.70/REC (up from \$5.60/REC just a year ago) Maryland ratepayers do not need to pay more when the RPS as currently enacted is creating an 11.0% annual increase in wind energy and is already reducing biomass' contribution at 13.4% annually. The program is working as intended to add to the renewable generation portfolio, however the negative effect on the ratepayers is being compounded because not only have prices increased by 73.2% in the past 12 months, the program participation is increasing from 20.7% in 2019 to 28.0% in 2020. The net of these increases is a 99.0% increase (almost doubling) of the cost to Maryland rate payers. Eliminating biomass, that was 20.7% of the programs supply in 2018, will only serve to further increase the price burden on Maryland's most vulnerable low-income rate payers.

Source: PJM-EIS Environmental Information Services at <https://www.pjm-eis.com/>

For these reasons and many others, Domtar Pulp and Paper stands in opposition to HB 98.

### **Who we are**

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 providing RECs to support Maryland's Renewable Energy Portfolio Standards from two of our three qualifying facilities in Kingsport, Tennessee and Plymouth, North Carolina.

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

Sincerely,

Stephen (Steve) R. Thomas, PE  
Senior Manager, Energy Contracts

cc: Members, House Economic Matters Committee