



February 15, 2021

The Honorable Delegate Dereck Davis, Chairman,
Maryland House Economic Matters Committee
House Office Building, 6 Bladen Street
Annapolis, Maryland 21401

Opposition to House Bill 875 –Renewable Energy Portfolio Standard – Qualifying Biomass

Dear Chairman Davis and Committee Members:

Thank you, Chairman Davis and members of this committee for the opportunity to submit comments on HB875. My name is Steve Thomas and I am the Senior Manager of Energy Programs for Domtar Corporation. Domtar fully supports the Maryland Renewable Energy Portfolio Standards (“RPS”) program in its current form and a long-term goal of 100% renewable energy. The Maryland RPS along with the other PJM¹ RPS programs are leading the way into the renewable future by supporting a diverse and growing renewable generation portfolio.

Domtar strongly opposes HB875, however, because it will significantly raise electric costs to ratepayers without providing additional renewable benefits.

Domtar’s opposition to HB875 is based on recent, relevant experience in Maryland:

- Maryland ratepayers are already expected to pay more than \$524,000,000 for Maryland’s RPS program in 2021,
- Removing 22.75% of the renewable supply will have a disastrous effect on electric prices and ratepayers in the region with the brunt of the new costs being borne by Marylanders,
- Increasing the cost of the MD RPS at a time when new renewable development costs are decreasing jeopardizes the popular support for the Maryland renewable energy program,
- The MD RPS is working as designed and there are no additional benefits from increasing the cost of this program,
- It eliminates nearly one third of the total RPS supply of renewable and 75% of the around-the-clock generation available in Maryland’s renewable portfolio, and because
- 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.

¹ The Pennsylvania, New Jersey and Maryland power pool

Increasing Costs to Maryland Ratepayers

Domtar's cost concerns have been proven out by history many times during the life of the Maryland RPS. I have provided previous testimony showing that the MD Tier I REC prices dropped by more than \$5.00/REC within weeks of the addition of our renewable generation. More recently, our Kingsport, Tennessee mill supplied only 2.6% of the Maryland Tier I non-solar requirements in 2019 but in the weeks following the announcement of the mill's idling and eventual closing of that mill, REC prices increased by 81¢/REC or 8.5%. If removal of 2.6% of the supply can cause prices to increase by 8.5% it is alarming what might happen if 29.6%² of the supply is disqualified as would happen with HB 875.

In fact, even the legislative threat of removal of qualified renewable generation has caused prices to increase. The current MD Tier I price of \$12.00/REC³ has increased by \$0.60/REC or 5.3% since the day the Senate version of this bill was introduced on January 13, 2021.

At the current price levels the MD Tier I program will cost Maryland ratepayers an estimated \$524,217,375⁴ for 2021 based on a 60,500,000⁵ MWh annual electric load in Maryland. This is \$86.43 for every resident of Maryland in 2021⁶.

The Maryland RPS is working

At current prices the contribution of wind generation to the Maryland RPS is increasing by more than 500,000⁷ MWh per year even without set-aside. An increase in REC prices for Maryland is redundant making the additional burden on Marylanders is unnecessary.

Eliminating a diverse source of renewable electricity from Maryland ratepayers

Wind and solar only generate energy during a handful of hours each day. Unlike wind or solar, biomass-based generation is available during all hours of the day or night. Wind seldom peaks when Maryland electric load is highest and solar generation almost never peaks when Marylanders need it most. Having a diverse renewable generation portfolio that includes biomass along with wind and solar is the most efficient and cost-effective way to meet the around-the-clock renewable electric needs of Maryland's ratepayers. Even as I write this testimony nearly half of Texas' installed wind generation is offline because of frozen turbines⁸ while our nearby mills remain online

² Biomass as black liquor (BLQ) at 22.75% and wood waste solids (WDS) at 6.88% made up a total of 29.63% of the MD Tier I non-solar renewable generation in 2019.

³ All current prices referenced in this document are the average of the Bid/Ask prices for MD Tier I CY21 from Karbone Brokerage & Research Group Pricing sheet for February 21, 2021.

⁴ $60,500,000 \text{ MWh} \times 7.5\% \text{ solar set-aside} \times \$78.25/\text{REC} + 60,500,000 \text{ MWh} \times 23.3\% \text{ remaining Tier I} \times \$12.00/\text{REC} = \$524,217,375$

⁵ Public Service Commission of Maryland Renewable Energy Portfolio Standard Report, October 2020, p.10

⁶ <https://worldpopulationreview.com/states/maryland-population>

⁷ Wind generation in the MD RPS was 1,1719,280 MWh in CY14 and 4,341,057 MWh in CY19, $(4,341,057 \text{ MWh} - 1,1719,280 \text{ MWh}) / 5 \text{ years} = 524,355 \text{ MWh/year}$.

⁸ Frozen wind turbines hamper Texas power output: <https://www.statesman.com/story/news/2021/02/14/historic-winter-storm-freezes-texas-wind-turbines-hampering-electric-generation/4483230001/>

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

The two remaining Domtar mills that supply renewable generation into Maryland's RPS program represent roughly two million acres of growing, expanding forests that have been sustainably managed for many decades. These forests are diverse in age and species mixes and provide Marylanders with cleaner air and cleaner water along with providing many other environmental and societal benefits. The growth of these forests exceeds removals by a factor of 2.20 and 1.56⁹ where values greater than 1.0 indicate healthy forests that are actively sequestering atmospheric carbon. Our mills and the wise use of our mill residuals are an integral part of the environmental process 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 21 times more potent¹⁰ than equal amounts of carbon dioxide in trapping heat in the atmosphere. Removing black liquor and other mill residuals from the Maryland RPS only makes it more challenging and more costly for our industry to sustain these forests and threatens the many environmental benefits these forests provide.

For these reasons and many others, Domtar stands in opposition to HR 875.

Who we are

Domtar is a leading provider of communication, specialty and packaging papers, market pulp and absorbent hygiene materials. We are the market leader in North America in uncoated freesheet papers (your typical office writing and printing papers) with 8,800 employees serving more than 50 countries around the world.

Please do not hesitate to reach out to me at 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 Programs

⁹ Forest2Market and US Forest Service Inventory and Analyses programs

¹⁰ https://www.ghgprotocol.org/sites/default/files/ghgp/Global-Warming-Potential-Values%20%28Feb%2016%202016%29_1.pdf