

FOREST PRODUCTS INDUSTRY AND RENEWABLE ENERGY

Questions and Answers

Q1. The goal of the Bingaman RES bill is to promote new renewable energy. Why should renewable energy from existing forest products industry facilities receive any credit under the bill?

A1. Forest products manufacturers are the largest producers of renewable electricity in the country. The RES mandate will increase demand for biomass, which is the raw material for manufacturers and the fuel source for utilities. Allowing forest products manufacturers to get tradable credits will help level the playing field between utilities who can pass on the cost of their fuel and manufacturers who cannot pass on raw material cost increases. Giving credit for the renewable electricity generated by forest products industry facilities will help ensure that these companies are able to stay in business and continue to contribute to the nation's renewable energy goals.

A number of states have mandates for renewable electricity production and most of them recognize the contributions of the forest products industry. Of the 35 states (including the District of Columbia) that have RES mandates or goals, 25 of them allow energy from existing facilities to qualify. Those states have recognized that renewable energy from existing facilities helps achieve the environmental, greenhouse gas reduction, and energy security goals of the RES. The federal RES program should follow their lead.

Q2. If the bill allowed power from existing forest products industry facilities to qualify, wouldn't that enable compliance with the RES simply through a "book keeping" entry, as opposed to providing actual additional renewable energy?

A2. Renewable electricity generated by the forest products industry represents just 0.7 percent of the total electricity generated in the U.S. in 2007. It also represents less than one third of the renewable electricity, excluding hydropower and municipal solid waste (those sources are excluded in the Bingaman bill).

The Bingaman bill establishes very aggressive long term targets for renewable energy—20% by 2021. Providing tradable credits for the forest products industry's renewable electricity would help the nation achieve the aggressive targets in the bill. Moreover, disadvantaging forest products manufacturing facilities could threaten the survival of the largest industrial generator of renewable electricity in America and result in less, rather than more, renewable power for our nation.

Q3. The Bingaman bill already appears to give credits for renewable energy from existing facilities. Why isn't that sufficient?

A3. While RECs are available for renewable energy from existing facilities, such as our forest products facilities, they are not tradable. This means we derive no value from these RECs, since we cannot use them ourselves for compliance (we have no compliance obligations), and we cannot sell them to a utility that might need them for compliance, even a utility purchasing our power. It also prevents our facilities from participating in the national REC market contemplated by the bill, barring them from gaining any revenue for the renewable value of the power they produce.

Q4. Your proposal would provide tradable RECs only for existing facilities that generate renewable energy from biomass. Why shouldn't other existing renewable energy facilities also receive tradable RECs?

A4.

- Unlike wind, solar and geothermal, wood biomass has multiple uses, serving as both a carbon-neutral energy source as well as the raw material for value-added manufactured goods such as paper, packaging and wood products.
- The RES will increase the demand for biomass-based power, forcing forest products facilities to compete with new market entrants for that biomass—including utilities that typically are able to pass through their compliance costs to their customers.
- The forest products industry operates in a highly competitive global market in which manufacturers cannot pass on their costs to consumers and still remain competitive.
- Since early 2006, the industry has lost 190,000 jobs—15 percent of its workforce.
- Allowing tradable RECs for those facilities' power will provide a source of revenue that can help preserve the industry's green jobs and the significant renewable energy that we generate.