



**American
Forest & Paper
Association**

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Renewable Energy: Section 45 Tax Credit

The American Forest & Paper Association (AF&PA) is the national trade association of the forest products industry and advances public policies that promote a strong and sustainable U.S. forest products industry in the global marketplace. The industry is an integral part of our nation's green job base and generates approximately 6 percent of the total annual U.S. manufacturing GDP.

AF&PA's member companies make pulp, paper, packaging and wood products, and own forest land. Our companies make essential products from renewable and recyclable resources that sustain the environment. Nationwide, the U.S. forest products industry:

- *Employs approximately one million workers — on par with the nation's automotive and plastics industries.*
- *Provides green jobs that reduce greenhouse gases by sustaining the forests that absorb carbon dioxide; making the paper and wood products that store it indefinitely; generating and using more renewable energy than anyone else—28.5 million megawatt hours annually, enough to power 2.7 million homes; and recycling paper to avoid methane emissions and reduce waste.*
- *Is among the top ten manufacturing sector employers in 48 states.*
- *Is a significant taxpayer, paying approximately \$7 billion annually in federal, state, and local taxes.*



The forest products industry is a national leader in renewable energy because of its efficient use of its raw material—wood, a renewable, recyclable and reusable resource. Wood biomass is used to both manufacture paper and building products, and generate the energy to power its manufacturing facilities. The industry's biomass comes from by-products of the papermaking process, residuals from the manufacture of wood building products, and other wood materials not used as a raw material.

- We generate 28.5 million megawatt hours of electricity annually from carbon neutral renewable biomass, enough to power almost 3 million homes.
- We generate 82 percent of all biomass energy generated by industry.
- We meet, on average, two-thirds of own electricity needs from carbon neutral renewable energy we generate onsite at our facilities.
- Our renewable energy generation avoids the use of fossil fuels equivalent to the energy in 200 million barrels of oil.

Since 2004, forest products companies have been eligible to receive the same "Section 45" renewable energy tax credit as wind, solar and geothermal producers when they sell electricity generated by renewable biomass to third parties.

The 2004 expansion of the Section 45 credit was intended to encourage investments in biomass power production, to level the playing field between biomass and other renewable energy sources, and to reduce the country's reliance on fossil fuels.

Proposals in both the U.S. House (HR 622) and U.S. Senate (S. 870) would strengthen the Section 45 tax credit by expanding it to also provide tax credits for the on-site use of electricity produced from biomass. Encouraging greater on-site use of biomass for renewable energy generation is particularly attractive given that it is highly efficient and avoids transmission and distribution losses because the power does not need to move across the electricity grid.

The 5 year credit period for certain existing biomass facilities expires on December 31, 2009. Extending the period for 5 additional years would allow existing biomass facilities to receive the credit for the full 10 year period that other facilities receive.

Biomass faces a growing competitive marketplace given the variety of federal, state and local initiatives directed at competing energy sources. Expanding the "Section 45" renewable energy tax credit to include on-site use of biomass energy would promote further expansion and use of biomass as a reliable, clean replacement for fossil fuels.