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Testimony of

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Before the Committee on Energy, Utilities and Technology regarding LD 1676 – An Act
To Establish a Process for Procurement of Renewable Resources

Monday, March 28, 2016
2:30 P.M. – Cross Building – Room 211

Senator Woodsome, Representative Dion and members of the Committee on Energy, Utilities and Technology, my name is Dana Doran and I am the Executive Director of the Professional Logging Contractors of Maine. The PLC of Maine is a trade association that represents logging contractors throughout the state of Maine. Our membership employs nearly 2,500 people and is responsible for about 75% of Maine's annual timber harvest.

I would like to thank the committee for providing me with the opportunity to speak before you today in support of LD 1676. I would also like to thank Senator Woodsome, Representative Dion and the members of this committee for introducing such a timely bill. Challenging times sometimes require creative solutions to protect Maine's rural economy, and as all of you know, these are challenging times in the forest products industry in Maine.

The forest products industry in Maine is in the midst of a crisis, one that none of us have ever experienced before. To put this into perspective, let me provide the following statistics. Since August of 2015, the following has occurred: Verso Paper in Jay laid off 300 employees and limited its consumption of fiber by 500,000 tons; Expera Specialty Solutions in Old Town closed, laying off 195 people and curbing its fiber consumption by 1,000,000 tons; Lincoln Tissue closed, laying off 170 employees and curbing its fiber consumption by 500,000 tons; Madison Paper will close in May, and lay off 214 employees and curb its fiber consumption by 325,000 tons; Covanta Energy is shutting down, laying off 44 employees and curbing its fiber consumption by 500,000 tons; Maine Woods Pellet in Athens shut down in early January, laying off 18 workers and curbing its fiber consumption by 100,000 tons; Corinth Wood Pellets laid off nine workers in January and curbed fiber consumption by 80,000 tons; Lignetics in Strong

has laid off several employees and curbed fiber production by 80,000 tons; Northeast Pellets in Ashland has laid off more than 12 employees and curbed its fiber consumption by 40,000 tons.

This crisis has also gone all the way to the stump, impacting more than 400 logging contractors in the state and another 500 jobs. To put this into perspective, over the last eight months, we are talking about the loss of 3.1 million tons of fiber, 10,300 truckloads, or 20% of the total amount consumed by Maine mills in 2014, and almost 1,400 rural jobs.

With the announced closing of Covanta back in January, we conducted an informal survey of our membership to determine just the direct impact of biomass closures or reductions in the last year. Since June of 2015, we have seen the closure of biomass facilities in Bucksport, Old Town, Lincoln, West Enfield, Jonesboro and the curtailment of facilities at SAPPI and Catalyst. Just these biomass reductions alone have resulted in the layoff or pending layoff of more than 250 men and women within our membership, which certainly casts a wide net, but doesn't tell the whole story. We have estimated that the total loss of the biomass industry in Maine could lead to the loss of 400 direct jobs at the biomass plants and at least another 900 indirect jobs, primarily in regions of the state that cannot afford more job losses. Total economic losses to the state of Maine from these losses could be as high as \$300 million per year.

It's hard to clearly define a crisis, but in my estimation, we are in one.

Over the past three months, we have repeatedly called for swift action to sustain Maine's biomass electricity industry in the wake of the news of biomass plant and other market shutdowns. Members of this committee have been briefed on the impact of the Covanta shutdown and now ReEnergy's plants in Ashland and Fort Fairfield are currently struggling in northern Maine, a region already hammered by the loss of multiple pulp and paper mills over the past year. Our industry and that region cannot take another hit. Biomass is a perfect example of an area where common sense needs to be applied to policy to consider the true cost of our energy, not just the price per kilowatt-hour. Marginally cheaper electricity is of comparatively little value when weighed against the value of jobs, economic strength, healthy forests, and a viable source of energy that keeps 100% of the financial proceeds circulating in Maine.

The loss of the state's biomass market would lead to an environmental issue of uncertain proportions. Wood waste from sawmills, logging, and other operations could pile up and must be disposed of in landfills or back in the forest. The added costs of disposal combined with the loss of revenue from the sale of biomass is expected to cripple many sawmills and in turn our logging operations. Further, our forests, which are healthier than they have ever been, could be impacted by the loss of this industry as a result of altered management and the introduction of pests, disease and forest fires. Lastly, we have a spruce budworm epidemic on our doorstep, and with no defined spruce/fir market, biomass could assist with this issue in several ways. With all that has been invested in Maine over the last fifty years to create one of the strongest regional markets in the world, certainly no one wants to see our forests deteriorate like they have

in the northwestern United States.

State policies that encourage greater use of biomass in Maine will support local jobs, ensure greater energy security, and reduce fossil fuel emissions. The economic value of a strong Maine biomass industry and the direct and indirect jobs, payroll, and tax revenue it generates will more than offset the current higher cost per kilowatt-hour of such energy, while preserving the industry for the day when fossil fuel prices inevitably rise and biomass is in demand again. This is an energy bill, a jobs bill and an environmental bill. Doing nothing means we continue with business as usual, with consequences not only for hundreds of workers and their communities, but for the environment, forests, and the future energy security of Maine.

From our vantage point, the state of Maine should be doing everything in its power to support this industry right now. Rome is burning, losses are mounting, and the rural Maine economy is vanishing. In our opinion little is being done, but plenty of blame is being offered; we cannot continue down this vicious path. Biomass is literally the only component of the forest products industry that we can control because all of its proceeds and impact stay locally and it is not subject to foreign competition or markets. We need to do the right thing and take a stand to protect what we have left before it is too late.

Thank you for providing me with the opportunity to appear before you today to testify on behalf of Maine loggers and I encourage you to support this vital piece of legislation.