

# Panel on Optimizing Wood Harvesting in Maine

## Notes of November 18, 2008 Meeting

### Panel Members Present:

Sandy Brawders  
Jim Contino  
Alec Giffen  
Nathan Hebel  
Cathy Johnson

Anthony Lyons  
Les Otten  
Rosaire Pelletier  
Pat Strauch  
John Williams

**Others Present:** Pat Sirois, Edie Smith, Michael Stoddard, Steve Rowe of Plum Creek, Mackenzi Keliher, DOC

This meeting was also broadcast live at: [http://janus.state.me.us/legis/audio/acf\\_cmte.html](http://janus.state.me.us/legis/audio/acf_cmte.html).

**I. Alec Giffen, Panel Chair, opened the meeting.** Giffen provided a brief overview of the origin of the panel and items to be addressed by the panel, as set forth by Governor Baldacci. (See document entitled “The Governor’s Charge”.) A final report is due by March 1, 2009. The report should outline recommendations for legislation or other Administration action.

**II. The Chair outlined “mutual understandings” as described in the “Mutual Understandings” document and acknowledged that while there may be tentative agreements made during the process, all agreements will remain unbinding until the panel concludes its work.**

**III. The Chair invited modifications to the agenda.** None were brought forth.

**IV. The Chair outlined the expected outcomes from the meeting.**

**V. The Chair asked for introductions of the other panel members and for them to share any biases, if appropriate.**

- A. Alec Giffen introduced himself as the State Forester, bias being his desire for to maintain a robust forest products industry and the sustainability of the forest. He acknowledged that the legislature has lessened the Maine Forest Service’s (MFS) link to the industry by eliminating funding of a division and a position that served as liaison to the industry.
- B. Pat Strauch, Director of the Maine Forest Products Council (MFPC), stated that he represents a blend of interests in the industry, including, landowners, truckers, loggers, pulp and paper mills, sawmills and new members that include pellet manufacturers and biomass plants. As director of the MFPC he is conflicted by the broad interests that he represents. Strauch recommended that the chair and Governor may wish to consider adding a landowner to the panel.
- C. Les Otten, Owner of Maine Energy Systems, a pelletized fuel company and chair of the Governor’s Wood to Energy Task Force, stated his interest in the state of the American

Economy. He also stated that a solution may be the intelligent use of manufacturing industry through efficient and long lived technology and that 5 – 6 energy opportunities must be looked at going forward, including wood. Other issues include, the labor issue associated with H2B laws, lack of infrastructure to remove underutilized wood from the forest and decline in the logging profession. It was also stated that the Wood to Energy Task Force proved that wood supply was not an issue.

- D. Nathan Hebel of Boralex stated that as an energy producer Boralex is a large buyer of wood and wood residue and is concerned with the cost, availability and efficiency. His bias is toward a free market solution with incentives that properly represent the market forces. Hebel stated that energy producers are a stable long term buyer of wood.
- E. Cathy Johnson of the Natural Resource Council of Maine (NRCM) stated that her bias is in ensuring that harvesting is done in a sustainable manner and protects the full suite of public values over the long-term.
- F. John Williams of the Maine Pulp and Paper Association (MPPA) stated that access to wood can be difficult for mills and that industry is still making as much paper as ever before. Demand is high due to new consumers such as pellet manufacturers, which causes increased wood prices, which makes it difficult for mills to remain competitive.
- G. Rosaire Pelletier, is a Senior Advisor to the Governor of Forest Products and was also a designee to the Wood-to-Energy Task Force. As the Governor’s liaison to the industry he states that all mills report lack of wood inventory and inability to compete as a state with the highest wood costs for both chips and biomass. Stating that it “is all about supply” the solution is in infrastructure, as the wood is there, the issue is in extracting it from the forest. Support is also needed for the loggers and truckers. He also stated that a concrete solution is needed to help the \$11.4 million pulp and paper industry.
- H. Jim Contino of Verso Paper Company (with mills in Bucksport and Jay states that the Wood-to-Energy Task Force recommendations didn’t tackle the economics or other tough issues. Verso wants to be at the table because the trade industry doesn’t have the breadth of knowledge that they do as wood buyers. Contino states the he has a similar perspective as Hebel regarding the fact that competition is good, but that wood costs in Maine are 40 – 50 % higher than in other states today, and that in the past they have been only been 10 % higher due to slower growth rates, dense forest stands and high value species. Pulp and paper mills are at direct competition with energy producers and wood costs are at a point that will put the mills out of business.
- I. Sandy Brawders of the Trust to Conserve Northeast Forestlands and Certified Professional Loggers, also believes in free market forces, as do loggers. Loggers desire entrepreneurial incentives such as an 18 month incentive package, especially if we are to look at increasing pre-commercial thinning for energy. This could result in a new style of harvesting to serve the energy market while not competing with the pulp market. (18 months is proposed as it is how long it took loggers to transition from hand crews to mechanized harvesting.
- J. Tony Lyons of New Page states that New Page is the largest printing manufacturer of papers in North America and that he is concerned with the employment of 1,000 employees in the Androscoggin Mill. This mill seeks a high quality chip at the lowest

possible cost, yet the cost to purchase wood chips is higher in Maine than any of New Page's other mills.

**VI. The Chair asked for introductions from the audience.**

**VII. The Chair reaffirmed the facts necessitating the creation of the panel and invited Contino, Pelletier and others to share their thoughts.**

- A. Contino stated that through the process of potentially acquiring the Red Shield mill in Old Town, Verso indentified their number concern as the ability to secure wood supply. They were able to find half of what was needed in Maine and believed that they would have to import the rest. Verso's assessment was that they could not be a success with significant import of wood. Contino states that the most recent wood consumption reports indicate that a large percentage of wood is consumed by boilers, a factor not present in other states. This competition in Maine results in delayed capital investments. These factors were shared with Governor, and supported the Wood-to-Energy Task Force report recommendation that a panel be created to address these issues.
- B. Pelletier states that New Page and other mills have expressed the same concerns to the Governor. He also stated that these issues are not unique to a specific segment of the industry.
- C. Otten listed several issues that have created the challenges associated with wood supply and prices, including the "perfect storm" of factors – weather, the economy, product value and profits (euro vs. American dollar). Many of these factors were identified or discussed by the Wood-to-Energy Task Force.
  - 1. The pulp and paper companies divestiture of land has created a redeployment of capital, creating another level of profit in the cycle with the new landowner.
  - 2. Fewer loggers on the ground and logging as a way of life has diminished, particularly with those owning small woodlots.
  - 3. Tight buying market with less emphasis on inventory, i.e., less wood available in the winter and spring.
  - 4. Equipment antiquated.
  - 5. Lack of silvicultural knowledge.
  - 6. Pellet and biomass industry competition.
  - 7. Renewable Energy Credits (REC's) offered to some sectors creates an unfair playing field.

There is the need to find consensus on models to get the wood out at rates that the MFS has said are sustainable. What can government do to promote healthy and fair use of the Maine forest?

- D. Strauch stated that the MFPC has the following issues (will also be shared in writing):
  - 1. High level of production in pulp and paper mills, with a weak dollar and prices for hardwood pulp increasing to unprecedented levels. It was stated that these increases have begun to soften of late. Increased use of biomass for cogeneration at mills.
  - 2. REC's

3. Reduction in inventory prior to winter to control cost resulted in a disadvantage because of the unfrozen ground and inability to harvest during the winter. This affects of this are still being felt.
  4. Increased competition from firewood and pellets.
  5. Weather.
  6. Forest certification standards result in a reduced harvest window due to storm conditions.
  7. Logging costs and capital investments are high.
  8. H2B bonded labor issues are tied to US immigration reform.
  9. Fuel costs increased.
  10. Landowner selection of stands due saw log markets being down.
- E. Lyons adds that data available to consultants who are assisting in siting new mills is inaccurate. One report stated that the consumption of the New Page Androscoggin mill was ½ of what is actually is.

**VIII. The Chair listed a number of other related efforts already underway, including:**

- A. The Maine Forest Service Wood Availability Report
- B. Atlantica Bioenergy Report
- C. The Biomass Energy Resources Center White Paper for Fuels to Schools

**IX. The Chair reviewed the charge of the panel in detail (see “The Governor’s Charge” document).**

# Notes from Flipcharts

## 1. Review the effect of renewable energy credits (RECs)

### *Information Needed*

- Overview of RECs
  - Where do they come from?
  - Worth?
  - Resolutions?
  - Use in Maine?
  - Profitability of producers without them?
  - How long have they been in place?
  - Who legislated them?

### Sources

Hebel  
Kingsley

### *Ideas for Solutions*

- Who gets them and why?
- Link to sustainability.
- Link with state energy policy.
- Where does the energy produced go?
- What can Maine do to level the playing field:
  - Expanding opportunities for behind the meter power?

## 2. Research the benefits of strengthening requirements for sustainability – Related to RECs

### *Information Needed*

- What are the existing requirements:
  - What are the systems for certification?
  - Who is subject to them?
- Acres certified in Maine by type?
- What is the definition of green energy for fuels?
- What are the paper producers report cards and what do they show about sustainability?
- What is EPAT?

### Sources

Sirois

Mansius  
Williams

### *Ideas for Solutions*

- Rating system for the degree of sustainable practices and guaranteed benefits if you qualify.
- Refining the role of the Maine Forest Service on this topic.

**3. Obtain assurances that biomass users ensure sustainability and encourage appropriate wood use (one definition suggested for appropriate wood use, is that landowner does not get ripped off)**

*Information Needed*

Sources

- What are the practices of biomass users on sustainability and directing products to most appropriate use?
- Consumption of biomass and trends?
- What happened to the money “in the middle” with increased prices? Who got the funds? How does this differ among different class of loggers and landowners?
- What outreach to landowners is provided by the Maine Forest Service?
- What do loggers and landowners see as sustainability?
- Is the Exxon phenomenon in effect? (That is, Exxon owns the oil in the ground, when the spot price rose to \$147 a barrel they profited greatly by being vertically integrated. When the price of wood increased to \$60 per ton who made the money? Some companies that did not own any land, felt a very uncomfortable squeeze when prices spiked, others profited. The wood Maine story is a very complicated one. Now that Wood prices are falling dramatically I suspect there are companies that are relieved and others who were profiting. No story fits everyone [Les Otten]).

Hebel

Mansius

*Ideas for Solutions*

- Making sure the landowner does not get ripped off.
- Mandating a demonstration of adequate wood supply for new mills.

**4. Develop guidelines for biomass use that:**

- **Promote timber stand improvement**
- **Promote proper sorting and use**
- **Are compatible with guidelines for onsite retention**

*Information Needed*

Sources

- What is the current state of the guidelines on the third point?
- How could we maximize growth and landowner value?

Mansius

*Ideas for Solutions*

- Need to define what we mean as biomass.

**5. Invite mills to support an initiative on sustainability based on an updated assessment of supply**

*Information Needed*

- None

*Ideas for Solutions*

- Develop accurate consumption numbers and have them publicly available? (Supply numbers are good, but numbers on use are not.)

**6. Encourage lending to loggers**

*Information Needed*

**Sources**

- Why is the Direct Link program oversubscribed and other programs are not?
- What are the various programs which are available?
- What is the loan history on logging equipment? Can we get data?
- Age of existing equipment?

FAME

*Ideas for Solutions*

- Encourage long-term contracts.
- Can we get away from problems created by private funding entities – that is, controlling business plans?
- Would amending definition of independent contractor help or even be possible?
- Educate bankers on the needs of the logging industry.

**7. Encourage smaller equipment that is suitable for timber stand improvement**

*Information Needed*

**Sources**

- What smaller equipment exists?
- What smaller equipment is on the drawing boards?
- How can using smaller equipment be made profitable?
- Where is fuel efficiency headed?
- Where is excess biomass available?

Forest Products Lab

Forest Resource Associates

*Ideas for Solutions*

- None

**How can we improve transportation systems?**

- RRs?
- Load limits on the Interstate?

## **8. Evaluate the relative costs and benefits of various wood uses for Maine's economy**

### *Information Needed*

### **Sources**

- Get Jaakko Pöyry report on this topic in Europe and the criticisms of it. Kate Reilly, SPO
- Ask Eric Kingsley, Rob Lilieholm, and Charlie Colgan for information on this topic. Kingsley/  
Colgan/Lilieholm
- See report on pellets from the wood to Energy Task Force.

### *Ideas for Solutions*

- How do we support all markets and optimize the benefits for the Maine economy?

## **9. Encourage new wood users to locate in areas with less competition**

### *Information Needed*

### **Sources**

- Identify areas. Dave Struble/Ken Laustsen

### *Ideas for Solutions*

- Direct incentives to such areas.

## **10. Create a strategic plan for optimizing Maine's harvesting infrastructure**

### *Information Needed*

- None beyond the items listed above.

### *Ideas for Solutions*

- Transportation issues:
  - RRs
  - Load limits
- Eliminate sales tax on logging equipment.
- Eliminate sales tax on off-road diesel.
- Tie sustainable practices to incentives.

## **Overarching Issues**

- Level playing field for wood consumers – RECs.
- How do we strengthen the infrastructure:
  - Loggers?
  - Transportation?
- Sustainability of supply and ecosystem and public values.
- Fairness.
- Focus on how “all wood users can all eat.”
- How do we propose to define the word biomass, as we will be using it? “Wood Used as Fuel”?