

# **Panel on Optimizing Wood Harvesting in Maine**

## **Notes of December 11, 2008 Meeting**

### **Attending**

Nick Bennett  
Chip Bessey  
Bruce Bornstein  
Ian Burnes (for John Kerry)  
Jim Contino  
Eric Dumont (for Nathan Hebel)  
Alec Giffen

Ellen Hawes (for Dan Sosland)  
Kevin McCarthy  
Les Otten  
George Soffron  
Pat Strauch  
John Williams

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).

### **Introduction**

Chairman Giffen introduced new members to the Panel. These include Chip Bessey of E. D. Bessey, John Bryant of American Forest Management, Bruce Bornstein of Isaacson Lumber, Kevin McCarthy of SAPPI, Dan Sosland of Environment Northeast, George Soffron of Corinth Wood Pellets, and John Kerry of the Governor's Energy Office.

Chairman Giffen explained that he had suggested the addition of the participants to the panel because it was important that all segments of the industry be represented.

Other people present at the meeting introduced themselves and stated their interests in the work of the Panel.

### **Review of the Last Meeting**

Chairman Giffen reviewed the results of the last meeting – and, in particular, that the various charges to the Panel from the Governor had been gone over individually with the intent of identifying information that was needed to address each of them, and potential solutions that the Panel should consider. Also, that at the end of the meeting, participants were asked where they felt the Panel's efforts should focus. Both of these discussions are reflected in the notes of the previous meeting. Chairman Giffen asked if any of the members had questions about the last meeting or needed to clarify anything in the notes – there were no questions or clarifications.

### **Logger Congress Dinners**

Don Mansius and Chairman Giffen reported on the five Logger Congress dinners that have been held to date, and the suggestions that have been received for improving the profitability of the logging and trucking industry. They pointed out that a consistent theme in each of the dinners has been the fact that loggers and truckers do not feel that they are receiving a fair rate of return for the investment they have made in their businesses.

Jim Contino asked if it was desirable to have the ideas that come out of the Logger Congress efforts be reported to the Panel. Chairman Giffen responded that, in his view, it was desirable to have as much support for any concrete recommendations as possible.

Les Otten expressed his view that stability of supply of price of biomass was a key issue. He feels that unstable prices, either high or low, created problems for the industry; and further, that achieving stability was the key to making investments attractive in the forest products industry, generally, and in logging businesses particularly.

Pat Strauch pointed out that market pulp prices have, in the last four weeks, gone from \$700/baled ton down to \$400/baled ton, and that this was an indication of the instability in the system.

Participants at this meeting were sympathetic to the need for stability in creating a fertile climate for businesses to grow, but were not sure how such stability could be achieved.

### **Review of Maine Forest Service Report on Biomass**

Dave Struble and Don Mansius presented the results of their analysis conducted for the Wood to Energy Task Force (see “Maine Forest Service Assessment of Sustainable Biomass Availability”). Dave and Don reviewed each of the analyses that they prepared. These included:

- Additional wood that could be harvested when existing harvests are already being conducted.
- Wood that could come from adjacent jurisdictions.
- Wood that could come from thinnings and stands not generally operated in.
- Wood that could come from increased productivity of Maine’s timberlands.

Dave and Don explained that the report had been prepared making conservative assumptions (e.g., the amount estimated as being available during existing harvesting activities was approximately one-third of the total amount potentially available). The Maine Forest Service also explained that the report makes no claims as to what proportion of the total amount available is available at any given price.

There was considerable discussion over the methods used, and criticisms of some assumptions (e.g., one size class of cull trees could all be removed). It was agreed that participants who are interested in a sidebar conversation with Dave and Don should hold such conversations on three topics. :

1. From an overview perspective, are the results reasonable (e.g., individual assumptions could be adjusted, but will they lead to significantly different results)?
2. To review the methods used in the analyses, and whether or not they should be refined.
3. Is there a way to estimate what, among the total which is potentially available from Maine’s forest, could in fact be available at different prices?

Dave Struble was designated as the contact to organize these meetings, if there is interest.

## **What RECs and How Do They Work**

Eric Kingsley gave a presentation on RECs (Renewable Energy Certificates). The main points that he made are that:

- Green power producers can sell two products: 1) electricity; and 2) green tags (or RECs).
- There are both voluntary markets and compliance markets for RECs. Compliance markets are mandated by State Legislatures, who call for power producers to have a certain percentage of renewable power.
- Specifications for what are acceptable for inclusion in the REC category vary by state. Connecticut has strict emission requirements related to NOX (this is apparently a tough standard to meet). Massachusetts requires advanced technologies meeting emission standards (the amount of emissions which are acceptable decline over time), and the fact that generation must be new renewable power.
- As regards prices, Eric reported that Connecticut prices for RECs have varied between \$2 and over \$50/megawatt hour, and Massachusetts has traditionally been about \$50/megawatt hour and has now declined to about half that.
- Connecticut allows behind-the-meter generators to claim RECs.
- Massachusetts is developing Tier II standards, which will allow behind-the-meter generators in any part of the ISO New England region to claim RECs, provided that they meet emission and technology standards. Eric pointed out that these standards are currently being developed and will be finalized in the near future.
- The ceiling for the price of RECs in Massachusetts is currently about \$57 and is adjusted for inflation. In Connecticut, there is a fixed price of \$55.
- Eric reported that most of the Maine biomass plants feeding into ISO New England are receiving RECs.
- A question was raised as to whether or not biomass plants receiving RECs can afford to pay more for fuel. Eric Kingsley responded that the answer was presumably, yes. Eric Dumont responded to the price of biomass depends upon supply and varies widely from one region of the state to another. He reported that building a new 40 megawatt generating plant would cost about \$160 million, and asked whether or not people believed that such a plant could be profitable without renewable energy certificate credits. He felt probably not, but went on to explain that if a company had bought an existing plant at a reduced price, then the answer was probably, yes. That is, it could be operated profitably without RECs. Eric Kingsley reported that some plants in Maine are operating without receiving RECs. The participants at the meeting were interested in learning more about RECs and asked that a future presentation be scheduled to include information on at least three topics:
  1. More on how RECs work
  2. Does the existence of RECs drive up the price of wood
  3. How do behind-the-meter RECs work?

## **Trends in the Use of Biomass**

Don Mansius reported on trends in the use of biomass, and indicated that use is indeed increasing. He distributed some statistics on increasing biomass use (see “Handouts 11 Dec 08”).

**What get used as biomass?** Don distributed some anecdotal information from the Maine Forest Service staff on higher quality wood being chipped for biomass. A number of Panel members reported that, in their experience, this is happening on a fairly widespread basis. Don reported that, in some cases, it was more profitable for loggers to chip materials as biomass even if it could be marketed for higher quality products. This can mean that, in some cases, landowners are not receiving fair compensation for the wood being harvested. A number of participants expressed the view that this was an important issue, and asked how the Panel could help make sure that family landowners get paid fairly for the wood from their land – e.g., paid pulpwood or log prices for wood that meets those quality specifications. Pat Strauch expressed the viewpoint that education and outreach is an approach that would assist with this effort. It was noted that this is most likely to be an issue for landowners that are not knowledgeable about the value of their wood.

As part of the discussion, Les Otten pointed out that this Panel was created in part to consider whether or not Maine should have a policy calling for “highest and best use” of wood, such as exists for the Crown Lands in New Brunswick; that is, veneer goes for veneer, sawlogs go for sawlogs, pulpwood goes for pulp, and biomass is the lower quality material that is left over. Chairman Giffen asked if pursuing such a policy in Maine was desired by the Panel members. The Panel unanimously indicated that pursuing such a policy directly would not be desirable. However, there was support expressed for making progress on the issue of insuring that landowners are paid for the full value of the material coming from their land. It was noted that this approach would help address the issue that led to the formation of the Panel.

## **Next Meeting**

The next meeting for the Panel on Optimizing Wood Harvesting will be held **on January 7th starting at 1:00 pm at the Maine Forest Service Bolton Hill Facility.**