



July 2, 2009

The Honorable Max Baucus
Chairman
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Chuck Grassley
Ranking Member
Committee on Finance
United States Senate
219 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Alternative Fuel Mixture Tax Credit Proposal

Dear Sirs:

The Alabama State Port Authority is aware that Congress is considering ending an alternative fuel use tax credit utilized by a number of manufacturers, including Alabama's chemical, transportation and pulp and paper industries. The current law provides that a mixture of fossil fuel with renewable biomass qualifies for a 50 cent per gallon excise tax credit for manufacturers through December 31, 2009.

The Grassley/Baccus draft legislation targets the pulp and paper industry by eliminating black liquor as a qualifying fuel, while other industries retaining this credit in 2010. The legislation, as proposed, would also eliminate the qualification of all potential fuel sources from other pulp mill byproducts and residues (such as tall oil or fuel derived from sludge). These biofuels can be substituted for fossil fuel, which is the intent of the legislation, and they should be eligible for the tax credit.

The pulp and paper industry is a large and valued employer across the nation and generates more renewable energy than all solar, wind, and geothermal sources combined. It is a "green" industry that generates 28.5 million megawatt hours of carbon-neutral renewable energy annually – enough to power 2.7 million homes. The excise tax credit is particularly important to the pulp industry, given the devastating down cycle forest products manufacturers are currently experiencing in this economic downturn. Beneficiaries of this important tax credit are Alabama River Group, AbitibiBowater, Boise Cascade, Domtar, Inc., Georgia Pacific, International Paper, MeadWestvaco, Rock-Tenn, Smurfit Stone, and Weyerhaeuser.

The Alabama State Port Authority's deepwater port is the largest general cargo forest products port in the nation. Our terminals are a primary export outlet for U.S. pulp manufacturing companies striving to compete against global producers that hold a number of production cost advantages over U.S. producers. Alone, Alabama and regional pulp and paper producers supply roughly 36% of the Port Authority general cargo export volumes. The handling of

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manufactured forest products indirectly supports a vast array of transportation, warehousing, timber management and cargo handling employers throughout this country. Ending the alternative fuel use tax credit will certainly result in substantial financial loss to pulp and paper manufacturers in an increasingly competitive and declining global forest products market, but will certainly have far reaching impacts on export volumes through the port and on indirect jobs supporting this vital industry.

I urge your reconsideration of eliminating the alternative fuel use tax credit currently afforded to pulp and paper manufacturers to ensure the survival of this important industry in adverse economic times. If you or your staff has any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "James K. Lyons". The signature is fluid and cursive, with the first name "James" and last name "Lyons" clearly distinguishable.

James K. Lyons
Director and Chief Executive Officer