



**GRAPHIC PACKAGING**  
INTERNATIONAL, INC.

David W Scheible  
President and Chief Executive Officer

The Honorable Max Baucus  
The Honorable Chuck Grassley  
Committee on Finance  
United State Senate  
Washington, DC 20510

Sent via email

RE : Alternative Fuel Tax

Dear Senators Baucus and Grassley,

I would like to submit the following comments regarding the discussion draft on early termination of the Alternative Fuel Tax Credit for biomass produced from black liquor by paper mills.

The American forest and paper industry is fully committed to increasing America's energy security and rewarding the use of clean burning fuels as a national priority. Graphic Packaging Holding Company, as part of the forest products industry, has a strong record of leadership in the development and use of renewable energy in its manufacturing processes, including the efficient burning of black liquor biomass as an alternative to fossil fuels.

We are working with Congress to demonstrate how the industry's renewable energy generation supports this goal and are urging policymakers to recognize how potential changes to current law could affect the industry and its employees. I have made numerous trips to Washington, D.C. and have had positive and constructive discussions with many members of the Senate, a number of who are on the Finance Committee itself.

Our Company has been firmly committed to the use of alternative fuels for many years, and like the entire industry, we have made significant investments over decades in support of expanding our capabilities to use renewable energy as a core process in manufacturing our products. Papermakers and lumber producers are the country's largest renewable energy generators and users. I would like to point out that our industry generates:

- 28.5 million megawatt hours of carbon-neutral renewable energy annually—enough to power 2.7 million homes.
- two-thirds of our energy needs from carbon-neutral renewable energy onsite from renewable sources.
- **more renewable energy than all solar, wind and geothermal sources combined.**

While it is not often reported, papermakers and wood products manufacturers employ approximately one million direct workers, an industry that is larger than automotive, plastics, or chemicals. However, due to the increasing pressures of the global marketplace, we have lost more than 300,000 workers—almost one quarter of the industry's workforce- since 2006.

We appreciate Senate Finance Committee's interest in seeking public comment on how any changes to the Alternative Fuel Tax credit would impact paper companies and their workers. We

would like the committee to understand that revoking the forest products industry's eligibility for the alternative fuel mixture tax credit before it expires later this year would have serious consequences for our companies and our nearly one million employees at a time of unprecedented economic challenges.

Graphic Packaging operates seven paperboard mills and over seventy-five converting plants in the US and employs over 14,000 employees. Graphic Packaging operates seven paperboard mills and over seventy-five converting plants in the US and employs over 14,000 employees with operations of particular interest to your committee in Arkansas, Iowa, Kentucky, Michigan, Oregon, Utah, Washington, and West Virginia.

We have not avoided the economic downturn, and as a result, we have been forced to close several manufacturing plants this year, eliminated wage increases for salaried employees, reduced spending in excess of 10%, successfully refinanced our short term debt maturities and worked to preserve cash by making a number of difficult decisions—all in an effort to maintain our global competitiveness. Every one of our employees has been impacted.

I have seen published comments that this rebate is a windfall for the forest and paper Industry, since no company incorporated the receipt of these credits into their operating plans. That is certainly not the case at Graphic Packaging.

Despite the constraints on our capital budgets due to the weak and uncertain economy, we have made new and direct investments because of the Alternative Fuel Tax credit. During 2009 we are spending \$40 million expanding our converting and mill complex in Kalamazoo, Michigan bringing 160 new United Steel Workers jobs to a region of the country that is dire need of manufacturing jobs. This investment was facilitated by the rebate we planned to receive as part of the Alternative Fuel Tax bill, and allowed us to both make our debt repayment obligations and continue to fund this critical investment in a very difficult operating environment. Removing this credit early will certainly impact our plans.

Some comments have been reported that the Alternative Fuel Tax Credit has negatively impacted mills that use recycle material differentially to those that use black liquor. The facts do not support these claims. The June 19<sup>th</sup> RISI Pulp and Paper Report(volume 31, report 24), our industry third party data reporter, on page 8 address this with down time data and demonstrates the down time is actually greater for those companies that use black liquor in the process vs. those who do not. There is no market distortion occurring due to the Credit. The real story here is that overall industry production is 17% down vs. 2008 due to lack of demand.

If Congress were to suddenly compound the economic challenges we face by revoking the tax credit, it could lead to additional plant closures, job losses, and economic disruption. The resulting loss to the forest products industry's renewable energy generation and use would be a blow to the nation's ongoing efforts to support and expand clean-burning, environmentally friendly energy production.

I respectfully urge you to continue to support this necessary credit through the end of the year as the law was written.

Thank you and sincerely,

