

I am writing to ask your support in preserving the current Alternative Fuel Mixture Credit until the end of the year when it is set to expire. I understand that perhaps this credit was not intended to specifically benefit the pulp and paper industry but as recent economic events have shown it is important to protect our existing economic base, especially one that also supports such policy initiatives as “green energy” and “GHG emission reduction”. Before any action is taken to bring about an early end to this credit, I would ask that you consider the following:

- The pulp and paper industry far outpaces every other industry in production and use of renewable power. Our mills fulfill over 70 percent of our power needs from burning black liquor—a residual of the pulping process comprised of lignin, the organic “glue” or liquid biomass that binds wood fibers together. However, until now we have largely been unable to take advantage of incentives for renewable power. Currently, restrictions exist in the Section 45 renewable electricity tax credit which disqualify renewable biomass power that is generated and consumed on site—a practice we employ here at Domtar. Meanwhile, those that compete with us for wood fiber, such as independent power producers and facilities that make cellulosic transportation fuels, benefit fully from Section 45 and other production tax incentives.
- We burn this high BTU value liquid biomass to generate power to run our mill. Understanding that biomass is a finite resource and in keeping with our commitment to stewardship and sustainability, we utilize the resource very efficiently. At our mill, we deploy combined heat and power systems which capture the heat that would otherwise be lost to the atmosphere. We use this heat for space heating and cooling, for drying applications and other uses in the mill. By fully utilizing our biomass inputs, we are able to fulfill most of the power requirements at the mill. This is power that would otherwise have to be sourced from the grid—power that would be largely derived from fossil fuel.
- Biomass power generated from Black Liquor is both renewable and carbon neutral, attributes that have been officially recognized and credited under the Regional Greenhouse Gas initiative and in Washington State’s landmark climate change law. Current climate change legislation being considered by Congress also recognizes the benefits of biomass.
- Our company is a recognized leader in partnering with such organizations as WWF and Rainforest Alliance in the area of sustainability. We support both Sustainable Forestry Initiative and Forest Stewardship Council as responsible management of the forest. Through these practices we seek to insure that our key raw material – trees are managed in a renewable and sustainable manner. By doing so we insure healthy forests that provide our primary raw material as well as a mechanism for removal of CO2 from the atmosphere and a source of renewable biomass fuels.
- Not to be overlooked is the role of our company and industry in the economic health of our country. Our company alone directly employs over 11,000 men and women in 37 states generating over \$6.4-billion in economic activity. The benefit derived by this credit has helped us sustain this employment and economic benefit during these challenging times. It effect it has done for our industry what other forms of economic stimulus have sought to do for other sectors of our economy.

I would therefore ask this committee's consideration to allow the Alternative Fuel Mixture Credit to expire on December 31, 2009 without exclusion of the pulp and paper industry. I would also ask your consideration to be sure that in any future legislation concerning GHG reduction or biomass fuels, that due recognition be given to the role that our industry continues to play in these key policy areas. For while encouraging growth is important it must be done while preserving what we already have in place if we are to indeed move forward.

Gene Lohr
Manager Network Optimization