

July 7, 2009

Dear Senate Finance Committee,

I am writing to you on behalf of the 236 employees who work at the Springfield Mill in Springfield, Oregon about a tax credit for using a liquid alternative fuel to produce energy and International Paper's eligibility because of our record of sustainable, renewable, and self-sufficient energy use.

International Paper's employees are proud that we are one of the leading producers and users of renewable biomass energy in the nation. We have a long history of producing green energy to power our mills, but it was only recently that the forest products industry was recognized by the federal government for this responsible practice. In 2007 Congress expanded existing legislation to provide a tax credit for companies that use alternative fuel mixtures to produce energy to operate their businesses.

In our case, a byproduct of the kraft pulp manufacturing process is lignin, which is the material that holds wood fiber together. This material becomes black liquor and is burned in our recovery boilers to produce more than 70 percent of the energy used in our U.S. mills. While we add a minimal amount of diesel fuel to the black liquor to qualify for the credit, we have decreased our use of fossil fuels at the Springfield Mill as we have a lot of flexibility in our fiber supply. Prior to the energy tax credit we were using a high percentage of recycled paper as a low cost fiber supply. Recycle paper requires us to burn fossil fuel in our boilers to manufacture our product. In fact, we were split 50/50 recycle to virgin fiber supply before the energy tax credit. Now we are maximizing our virgin fiber production and thus increasing our biofuel use and decreasing our fossil fuel use. In a nutshell we are generating 90,000 pounds per hour of steam with black liquor that we were previously generating with natural gas. This equates to 2.16 Billion BTU/day of natural gas saved. To put that into perspective, that is equivalent to 15,000 gallons of diesel fuel not being burned to make steam. The Springfield mill exemplifies the intention of the energy tax credit which is to minimize fossil fuel use while utilizing more biofuels.

I urge you to allow the tax provision to remain in place throughout 2009 as the renewable power generated by our industry deserves equal treatment and consideration with other environmentally beneficial energy sources.

Thank you for allowing me to provide input as you consider the future of this very important issue for International Paper and the Springfield, Oregon community.

Sincerely,

Kenneth M Hill, PE
Mill Manager
Springfield Mill
International Paper