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July 10, 2009

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

RE: Alternative Fuel Mixture Tax Credit

Dear Senators Baucus and Grassley:

On behalf of the Virginia Manufacturers Association, I appreciate the opportunity to submit comments regarding the discussion draft on the termination of the Alternative Fuel Mixture Tax Credit for "black liquor" used as bio-fuel in paper mills.

The VMA opposes the repeal of industrial renewable energy from eligibility for the Alternative Fuel Mixture Tax Credit. We are fully committed to increasing America's energy security and support rewarding the use of clean burning fuels as a national priority. As such, we believe that all industries should be treated equitably.

Our industry has been firmly committed to the use of alternative fuels, specifically "black liquor" for over 70 years, and like in many other states, companies in Virginia have made significant investments to expand our use of renewable energy in manufacturing our products. The manufacturing industry is the country's largest renewable energy generator and user. For example:

- Manufacturers produce over 400 MW of power from renewable resources in Virginia.
- Manufacturers produce 325,000 megawatt hours of carbon-neutral renewable energy annually.
- Industry-wide, about 66% of the energy used at U.S. paper mills comes from renewable resources.
- Manufacturers produce more renewable energy than all solar, wind and geothermal sources combined.

According to the Virginia Economic Development Partnership, Virginia's manufacturing sector accounts for \$172 billion in economic output and supports over one million jobs. However, due to the increasing pressures of the global marketplace and a global recession, manufacturers continue to lose jobs—over 800,000 nationally in 2008 alone and 17,000 in the last 18 months in Virginia alone. In Virginia, manufacturers now employ 276,100 employees. Congressional action to repeal the Alternative Fuel Mixture Tax Credit for “black liquor” will not help with job retention or creation.

Likewise, 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. Even a relatively conservative state like Virginia has adopted legislation recognizing the importance of “black liquor” in renewable energy production. During U.S. Senator Mark Warner's term as Governor of Virginia, the Virginia Energy Plan (VA Code § 67-900) was adopted which highlights the need for increased use of renewable energy in the Commonwealth and provided a grant fund for the production of renewable energy from black liquor (Virginia Code § 67-900 and § 67-903). Unfortunately, this provision has yet to be funded and this makes the Alternative Fuel Mixture Tax Credit that much more important to Virginia industry.

I appreciate the Senate Finance Committee's interest in public comment on how changes to the Alternative Fuel Mixture Tax Credit would impact our industry and the green jobs we provide. Revoking the industry's eligibility for this tax credit would have serious consequences for our state's manufacturers, specifically those business and employees in the pulp and paper industry.

I respectfully urge you to support this necessary credit for our industry.

Sincerely,

Brett A. Vassey
President & CEO

CC: VA Pulp & Paper Industry
VA Pulp & Paperworkers Resource Council
U.S. Senator Mark Warner
U.S. Senator Jim Webb