



March 16, 2021

The Honorable Mark Lawrence
The Honorable Seth Berry
Co-Chairs, Maine Joint Committee on Energy, Utilities and Technology
Maine Legislature
Augusta Maine 04330

Dear Co-Chairmen Lawrence and Berry and members of the committee:

I submit this letter on behalf of Lignetics, Inc. in support of LD597, an act to establish the wood energy investment program.

Lignetics owns and operates a wood pellet manufacturing plant in Strong ME. The plant produces approximately 50,000 tons of sustainably sourced wood pellet fuel annually. Approximately 20% of this volume is delivered in bulk to commercial, institutional, and light industrial consumers. These are the scale of projects that would benefit if the programs and incentives proposed in LD597 are enacted and funded through the dedication of alternative compliance revenues from the Maine RPS, thermal renewable class. Lignetics seeks no direct benefit from LD597, other than to grow the market in Maine for wood pellets delivered in bulk to commercial-scale projects.

Lignetics supports this bill for four reasons:

1. VITAL for EXPANSION OF MODERN WOOD HEAT AND CHP IN MAINE

Wood pellet and wood chip boilers are expensive, approximately 2-4X comparably-sized oil and gas systems. Lignetics and others have worked for years to gain momentum in adoption of modern wood heat in Maine. Recent low oil, propane and natural gas prices have slowed this potential expansion. Grants, rebates, and loan programs such as those proposed in LD597 would help offset the capital financing challenge and spur growth in this market, with economic and environmental benefits for the State of Maine and the region.

2. CRITICAL SUPPORT FOR FOREST PRODUCTS INDUSTRY

Maine's forest products industry is in a period of transition due to a dramatic decline in low grade wood markets over the last decade. These include utility scale electric power generation from wood biomass. Other uses of low grade wood, such as commercial/institutional scale heating with pellets and chips and highly efficient combined heat and power for manufacturing and other applications hold tremendous promise over the long term to help restore markets for low grade wood. This is especially true in Maine with its nation-leading dependence on heating oil.

3. MAINE IS THE ONLY NORTHERN NEW ENGLAND STATE THAT HAS NOT PROVIDED CAPITAL FINANCING FOR COMMERCIAL/INSTITUTIONAL MODERN WOOD HEAT AND CHP

The State of Maine has never provided any capital financing incentives for commercial scale projects until very recently when the residential wood pellet boiler rebate program administered by Efficiency Maine was expanded to allow small commercial systems to apply for a rebate. These will be definition be fairly small systems because of the \$6000 cap on rebate amount.

In contrast, New Hampshire, with which I am very familiar, has had a commercial scale wood pellet boiler rebate program since 2014 that funds 45% of installed capital cost up to \$65,000 for systems up to 2.5 MMBTU/hr in rated output. In addition, NH PUC runs an annual renewable energy competitive grant program for larger systems through which over two dozen commercial and institutional scale wood heating and CHP projects have received capital grant funding since 2011. The source of funding for both the rebate and grant program is ACP revenues from the NH RPS, dedicated to the state's Renewable Energy Fund.

The Vermont Clean Energy Development Fund has also provided capital grants for commercial scale modern wood heat projects for a number of years.

During the early Obama administration, Maine did benefit from significant federal funds for C/I scale wood heating projects. This infusion of capital helped jumpstart interest in modern wood heating, especially among public schools. If LD597 is enacted and capital incentives are provided for new projects, we expect a similar increase in interest.

4. ACP REVENUES ARE AN APPROPRIATE SOURCES OF FUNDING FOR THIS PROGRAM

Larger wood heat and CHP projects have long lead times. The thermal renewable incentive of the RPS went into effect January 1 of this year. It will be several years before the market develops in response to the incentive. In the meantime, this class will be generating ACPs.

It is an appropriate revenue source to foster capital investment in qualifying systems through the mechanisms authorized in LD597. Perhaps LD597 should be amended to include a stipulation that any system that receives assistance should be required to seek T-REC eligibility to increase the supply of thermal RECs, thereby helping the RPS program to achieve the ambitious goals that were established by LD1494 in the 2019 session.

For these reasons, Lignetics, Inc. urges your favorable consideration of LD597. I would be pleased to assist the committee in any way requested as you delve into the details of this bill.

Sincerely,



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Cc: Brett Jordan, CEO, Lignetics, Inc.