



Testimony of

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**Before the Committee on Energy, Utilities and Technology in Support of LD 1202 –
An Act to Establish a Wood-fired Combined Heat and Power Program**

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Senator Lawrence, Representative Berry and members of the Joint Standing Committee on Energy, Utilities and Technology, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is a trade association that represents logging and associated trucking contractors throughout the state of Maine. The PLC was formed in 1995 to give independent contractors a voice in a rapidly changing forest industry.

As of 2017, logging and trucking contractors in Maine employed over 3,900 people directly and were indirectly responsible for the creation of an additional 5,400 jobs. This employment and the investments that contractors make contributed \$620 million to the state's economy. Our membership, which includes 200 contractor members and an additional 100 associate members, employs over half of the individuals who work in this industry and is also responsible for 80% of Maine's annual timber harvest.

Thank you for providing me the opportunity to testify on behalf of our membership in support of LD 1202, An Act to Establish a Wood-fired Combined Heat and Power Program. I would also like to thank Representative Wadsworth, Representative Dunphy and Representative Zeigler for introducing this bi-partisan legislation.

The PLC and our membership are in full support of any legislation that might come before you this session if it will facilitate development of new renewable modern wood heat and power projects that could positively impact the management of Maine's forests, provide new markets for our members, and contribute positively to our climate. As you heard from the Governor in her State of the Budget Address, forest products is one of Maine's heritage industries and we need to do everything we can to support it. The Governor is also supportive of this legislation as a way to help our industry, but also as a solution to support a recommendation made by the Maine Climate Council and the Economic Recovery Committee.

The forest products industry in Maine was in the midst of a reinvention process until the onset of COVID 19 and the digester explosion at the Jay mill in April 2020. From 2011 to 2016, Maine experienced the closure of five pulp and paper mills and the periodic idling of two wood energy electric facilities. As a result, Maine lost 50 percent of its softwood pulp market and has also seen a two-million-ton reduction of biomass utilization. Between 2014 and 2016, the total economic impact of the forest products industry fell from \$9.8 billion to \$8.5 billion, and more than 5,000 jobs were lost.

Forest Products Industry

	2011	2014	2016
Total Economic Impact	\$8.5 billion	\$9.8 billion	\$8.5 billion
Total Jobs	38,789	38,956	33,538

However, from 2017-19, there was positive progress as over \$1 billion of new investment in manufacturing upgrades had been announced with new markets for cross laminated timber and insulation made out of wood.

All of this progress came to a grinding halt because of COVID 19. The negative impacts of the pandemic on the forest products industry began here in the state one year ago as a result of reduced export capability and have steadily worsened. In mid-March 2020, COVID-19 crashed lumber markets as housing starts ground to a halt. In the months since, paper mills across the state have shut down for periods of time or drastically cut output in response to reduced global paper consumption.

As a result of mill closures and curtailments due to COVID 19, it led to a 30% reduction in harvesting capacity and the layoff of nearly 1,000 people in harvesting and hauling. This means that over 11,000 truckloads of wood were not delivered to a Maine mill in 2020. Further, for an industry that is responsible for over \$620 million of direct economic impact each year, it will mean a direct loss of over \$186 million of economic activity as a result.

As it relates to wood for energy production – electricity, heating and combined heat and power – is a critical part of Maine’s forest economy. In 2010, 3.7 million tons of wood for the energy market were produced from Maine timber harvests, representing 25 percent of all timber volume. By 2016, the harvest of biomass had shrunk to 2.5 million tons and in 2021, it is now down to an all-time low of 1.5 million tons.

These lost markets have impacted the entire forest industry supply chain. Landowners have lost a market for low-grade stems and harvest residues (e.g., tops and branches). In 2010, Maine landowners received an estimated \$11.9 million in stumpage payments for biomass; by 2016 this figure had declined by two-thirds, to \$3.8 million and today it is less than \$2 million.

Loggers and truckers have suffered even more from the erosion of this market. In 2010 there was \$90.5 million in economic activity associated with logging and trucking of biomass fuel; in 2016 this had shrunk to \$48.2 million and today it is less than \$30 million.

For those who were on this committee back in 2016, you might recall the actions that the 127th Legislature took to slow this erosion and create a plan for the future. LD 1676 provided a short-term bridge to help a struggling industry continue to provide significant economic impact to the state.

Also, in 2016, the Legislature supported LD 1693, Resolve, Establishing the Commission to Study the Economic, Environmental and Energy Benefits of the Maine Biomass Industry. This Commission’s charge was to study the use of biomass in a thoughtful and meaningful way with the intent to creating a long-term roadmap at a critical point in time.

This commission looked at biomass from a very broad perspective, not just with respect to harvest residuals for electric generation, but also at the entire value chain, to understand the relationships and the impacts. The commission learned that biomass is more than just a byproduct from harvesting, it is also sawmill and manufacturing residuals, pellets and it is also not just an asset, but an opportunity.

The Commission published its report in 2016, with five broad goals and 15 recommendations. Recommendation 2.2 and 2.3 state specifically that Maine should provide greater financial resources to incentivize conversions to wood based thermal and power systems. The commission considered these to

be important recommendations because they could provide long term cost savings as well as environmental and educational benefits.

The work that the Biomass Commission did in 2016 has become very important as a basis for implementing sound policy. It helped create a thermal renewable portfolio standard (RPS) as part of the RPS reform that this committee moved forward in 2019. It has also acted as a focal point for encouraging further conversation related to the encouragement of combined heat and power projects across the state in the face of continued pressure on low grade wood markets and the reduction of stand-alone biomass power plants.

The intent of LD 1202 is to formalize a recommendation of the Biomass Commission, the Governor's Climate Action plan as well as the Economic Recovery Committee, that has been consistent recently and for the last five years. Three major reports with identical recommendations is powerful when it comes to advocating for legislation. As a result, this bill will codify these recommendations but also ensure that an incentive is in place to motivate the installation of modern wood energy applications in commercial and industrial spaces which is not only efficient but has tangential impacts to rural communities and to Maine's forests which go far beyond the cost of the proposed contracts.

As you consider this bill, please do so through lens that public policy should serve the greatest number for the greatest good. We can achieve this goal and provide not only economic benefits, but educational, environmental and social benefits as well through this one small program. We can also use this philosophy to build an economy that transcends time and economic challenges and provides a roadmap for prosperity in rural Maine.

Thank you for the opportunity to provide the opinion of our membership before you today and I would be happy to answer any questions you may have.