

Wood to Energy Task Force

Meeting Minutes
Second meeting
Augusta, Maine
02/20/2008

Roster:

Attending:

Les Otten, Chair, Maine Energy Systems LLC
Pat McGowan Commissioner, Dept. of Conservation
Chip Gavin Bureau of General Services
Bill Strauss FutureMetrics
Charlie Agnew Biomass Commodities Corp.
George Soffron Corinth Wood Pellets
Keith Van Scotter Lincoln Pulp and Tissue
Jim Delamater Northeast Bank
Dale McCormick Maine State Housing Authority
Wick Johnson Kennebec Tool & Die
Patrick Strauch Maine Forest Products Council
Ian Burnes Maine Office of Energy Independence
Ed Miller American Lung Association of Maine
Jack Cashman Governor's Office, Senior Economic Advisor
Charlie Spies CEI Capital Management LLC
Bill Bell Maine Association of Conservation Districts
Doug Baston Small Woodlot Owners Assoc. of Maine
Peter Triandafillou Huber Resources Corp.
John Kerry Office of Energy Independence

Also on the Task Force but not present:

Dana Connors Maine State Chamber of Commerce
Hemant Pendse Prof & Chr ChB Eng Dept, UMaine
Doug Gardner Prof. of Wood Science, UMaine
Doug Smith Retired Attorney/State Senator
Jon Hinck Attorney/State Representative
John Fitzsimmons Maine Community College System
Dutch Dresser Maine Energy Systems LLC

Introduction (Les Otten)

The prices of crude oil are what have led us to action. What the Task Force is doing is very exciting and we are looking at new technologies in such a way that we will discuss practical solutions to urgent problems in the state of Maine. The Governor will be speaking to the Task Force this morning to give his vision for the group.

Minutes and Roster for 1/30/2008

Approved

New Members & Advisors for future meetings

Sean Mahoney Conservation Law Foundation (member)

Chris Howard Pierce Atwood (member)

Albrecht Von Sydow Woodstone (advisor)

John Gurley Berry, Dunn, McNeil & Parker (advisor)

Draft Mission Statement for the Task Force

Reviewed and opened table for discussion – this mission statement will guide the work of the Task Force:

The Governor's Task Force on Wood to Energy was established to identify, evaluate and promote the use and development of sustainable alternative energy resources and technologies by capitalizing on the abundance of Maine's forest resources. The Task Force will evaluate the economic, environmental and public health impacts of forest-based energy alternatives and will provide recommendations to reduce reliance on foreign oil, develop and preserve new and existing markets and ensure the responsible stewardship of Maine's wood energy resources. The Task Force shall also examine European technologies and resource management, drawing lessons from their existing markets.

Jack Cashman

- Since being elected the Baldacci administration has worked hard for the forest products industry
- Efforts include working to reopen four pulp mills after they had closed
- For quite some time the state has been on the defensive, but is now shifting towards being on the offense to get in front of exciting projects such as wood pellets
- The administration has been working with Nova Scotia, Prince Edward Island and New Brunswick to conduct a study and has hired a Finnish organization and will look at:
 - Forest product uses – pharmaceuticals, bi-products and new technologies (wood pellets bio bricks etc.)
 - What is the highest and best use of Maine's forest products?
 - Other participants in the study are: Maine Pulp and Paper Association; Maine Forest Products Council; Maine Dept. of Economic and Community Development; Maine Dept. of Conservation
 - Funding for the study will come from private industry, Maine state government and provincial governments. MPPA and MFPC will seek a grant from the Maine Technology institute to match industry funding for Maine's share of the study costs
- A recognizable, but fixable problem is that Maine has not done enough to forwardly integrate value-added options
- Report is on a 5-6 month track for completion

Rosaire Pelletier

- The report will be deliverable in about 26 weeks
- There will be a preliminary report before the final report
- We want the \$5 billion dollar industry to be successful and productive

The Handout provided by Jack Cashman and Rosaire Pelletier established the following goals for the study:

1. Assess the capability of the regions available forest resources to support a variety of industry initiatives while operating on a sustainable basis
2. Identify the business potential of new bioenergy and biochemical uses of the forest resource
3. Analyze the highest and best use of the available resource in light of current research and development efforts and the new industries that the research will produce. Factors to be considered in this analysis include employment, profitability, and long-term viability and sustainability
4. Evaluate opportunities for forward integration and other changes to the current forest manufacturing industry that will add value to existing production

Pat McGowan

- What has the Governor's office seen with the New Brunswick and Nova Scotia markets, and what lessons have the Canadian provinces learned from us?

Jack Cashman

- They feel UMaine is light years ahead of Canadian research
- There have been several Canadian sawmill shutdowns – hopefully temporary due to the housing market
- We want to map the best use of the forest product resources for the future
- Canadian provinces do not have a lot of extra feedstock due to closures

Pat McGowan

- Part of our effort needs to be focused on identifying new markets for the wood stock

Les Otten

- Since the turn of the 19th century we as a country have thought that the norm of our lives was constant growth, we believed that we would grow at 4% a year. It is essentially saying that our economy doubles every 18 years. There is a fundamental thought that needs to be underneath everything we talk about, and that is that maybe we aren't going to grow at a certain percentage year after year. Perhaps we may not have resources to grow bigger, but we will need to grow smarter, and more efficient. Our economy may be reaching the point of doing the best it can with what it has while the rest of the world continues to grow
- Is there anybody qualified in the group to look at where we are harvesting wood now and where we were harvesting it from before?

Rosaire Pelletier

- There is a pulp mill that is using the old feed stock; he can look into that

Jack Cashman

- The existing infrastructure within areas that are no longer being harvested is deteriorating and disappearing
- Production continues to increase at an average rate of 2-4% for existing companies that grow despite the closure of some mills within the industry

Rosaire Pelletier

- The pulp market is strong and will remain so for the foreseeable future

Keith Van Scotter

- As a general rule, harvested wood tends to move to the closest facility
- Current pulp mills include:
 - Rumford
 - Jay
 - Old Town
 - Skowhegan
- On a global basis fiber and paper and pulp consumption is growing at a modest rate, while elsewhere in China and Europe it is growing exponentially
- Global markets will drive the decisions that the industry makes

Les Otten

Who is best qualified to look at unused capacity in the state?

Keith Van-Scotter

The Maine Forest Service is best equipped and, perhaps, Sewall Company with stumpage estimates.

Maine Forest Service Presentation

(Attachments: *Wood to Energy PowerPoint* and *Maine's Forests Summary*)

Introduction (Pat McGowan)

- The Department of Conservation is currently running a public information gathering process to do an assessment of which statewide buildings could be updated with new systems, such as energy efficient wood based alternative energy systems
- The buildings will be rated based on the following categories:
 - Oldest
 - Most in need of renovations
 - Newest
- The wood to energy idea has been gaining significant momentum
- How can we help pellet and burner manufacturers and the industry? How can we change tax policy? Can we do programs at Maine State Housing or the Office of Energy Efficiency?
- There will be a new energy policy in Washington come January and the state of Maine should be ready and should be poised to offer energy options
- Wind energy has a federal tax policy that provides tax breaks and other alternatives should as well
- We hope that we can jumpstart this industry to match the wind initiatives
- If we change just 10% of our oil consumption we can save \$350 million a year
- There are opportunities in DOC and elsewhere to recognize significant savings

Don Mansius

Background:

- Director of Forest Policy and Management

Handouts:

- PowerPoint – Yellow Sheet
- Issue Summary – Green Sheet

Presentation:

- Maine is in great shape compared with the rest of the world
- The State is currently growing 0.4 cords/acre/year
- Current harvests are occurring at a slower rate than growth
- Harvesting Trends
 - There has been a significant increase in biomass harvesting in the last decade
 - Unique market opportunities differentiate Maine from other regions
 - Historically we have been a net importer of wood, and a net exporter of saw logs, but are now becoming a slight exporter of saw logs
 - Processing capacity has decreased slightly in the last decade
 - We have strong low-grade markets
 - Nearly all of Maine's cut wood is consumed in some fashion
- We are importing 30% of what we are consuming
- New England and New York are supplying us with junk wood
- What's left of NY's forest capacity is dwarfed by Maine's
- What is our relationship to Canada?
 - We have had positive, long standing relationships
 - Existing transportation networks support flow thru to the Canadian markets
 - The price difference between pulp and biomass is minimal and may cause suppliers to go to pellet mills rather than pulp mills
 - We have a transportation network that can move product while other states do not
 - We have established a symbiotic relationship
- The MFS will work on getting a better wood basket estimate
- Municipal solid waste could possibly supply wood to energy initiatives
- What potential low grade wood options are available? We need to leave behind large trees, and a certain percentage of smaller diameter trees, but we can take everything under 13 inches in diameter. We can remove 100% of the small dead trees and need to leave the large dead trees. Additionally we can harvest the saplings
- What are Maine's wood processing industry's assumptions?
- What is good white wood versus junky wood?
- There are 4.5 million tons of wood
- There are 1.5 million green tons

Peter Triandafilou

- Biomass competition tends to be regionally oriented; there is demand in some areas and no demand in others
- 25% of the spruce/fir stock is under-stocked

- When we think about biomass and wood to energy has anybody considered taking extra agricultural land and planting fast growth crops that can be harvested for wood energy efforts?
- Biomass to energy plants in the state get some incentives for renewable energy credits and market them for money
- The REGGI incentive creates a market that isn't level between biomass and pulp and paper mills

Les Otten

- It is not the role of government to provide price incentives
- We need to focus on transportation
- We also need to focus on forestry practices
- According to some data we could expect the available tonnage to grow from 6 million to 10 million
- Let's make sure that we don't lose sight of protecting existing industry while being bold with new options

Rosaire Pelletier

- In some Canadian provinces growth and removal ratios are well below replacement rates
- Quebec border sawmills are trucking logs from Maine, to their mills and then south to the New England markets

Les Otten

- Do we want to make any recommendations about protecting our resources, i.e. are we exporting wood that we might be able to use in Maine?

Peter Triandafillou

- If the wood doesn't go to Quebec in that region of the state then there is nowhere for it to go because of the distance to of any other mills in Maine

Wick Johnson

- We should also talk about wood value and whether the wood has more value if it is used in Maine

Keith Van Scotter

Questions which need vetting:

- What is the sustainable harvest capacity for Maine?
- What is the traditional demand for forest product activities?
- What can be done to increase the amount on a sustainable basis?
- What is the capacity of the existing infrastructure and what else is needed?
- Paper and lumber industries are not dying
- There is a significant infusion of private equity
- Wood is Maine's sweet spot for an industry
- We need to be mindful of the economic value added by wood energy efforts being brought to market besides existing energy
- Over a period of time other states are going to have too much wood that they will have to move, and more than likely they will move it here
- We need to drive the right things in this state and utilize what we have got

Les Otten:

- 1 million tons of pellets would heat 150,000 homes
- There are currently 2 mills producing 100,000 tons

Update on MFPC Wood Energy Forum

Pat Strauch

- The Maine Forest Products Council represents: Landowners, biomass, pulp-mills, sawmills, loggers, contractors and furniture manufacturers
- At the Forum, there were presentations by dignitaries from State agencies and other organizations on the latest initiatives, including a presentation by Les Otten on the Wood to Energy Task Force
- After the presentations, the industry met and discussed strengths, weaknesses and opportunities

Opportunities:

- The current focus on the forest resource is a positive for the industry
- The Forum provided the opportunity to have a more enlightened discussion
- There are opportunities for forming new alliances with other organizations like environmental groups to work toward common causes
- There is an opportunity for a period of creativity within the industry
- We need to remind ourselves that this is a biological entity we are talking about and we need to match sustainability with biological principals
- The Forum was an opportunity for the public to learn about the forest industry's contribution to the economy

Challenges:

- What is sustainable forestry and sustainably harvested biomass? The definition that is determined may create a competitive disadvantage for the industry within the world market
- There are market conditions that currently have the price of biomass competing against paper chips and there have been significant increases in the price of wood in the last quarter
- If you were to assess current conditions there are higher fuel costs, deeper snow and sawmills are down, but the value of the dollar is increasing, so that's a positive
- Biomass energy plants which compete for the same resources have energy rec credits that are considered subsidized and create unfair market conditions
- A lot of the industry is experiencing extremely high energy costs and affordable energy needs to be found
- There is a risk in trying to identify too many solutions too soon

**FutureMetrics Study Update
(Attachment: *FutureMetrics Summary*)**

Bill Strauss

- Currently Bill is working on an economic impact presentation
- We need to understand what can happen with the market over time

- The methodology includes an analysis of the past history, supply vs demand and trends in wood prices
- There is a lag, as demand increases infrastructure requirements

Ed Miller

- There is a NH presentation that compares new pellet stoves versus oil burners and emissions
- The Lung Association will be champions for this cause if this results in decreased emissions

Governor's Address to the Task Force

Governor John E. Baldacci

This group has been willing to give of themselves and step out of their comfort zone. I have a keen interest in the area because it is our wood resource and a lot of that wood is in private hands and is being used in a lot of different ways. I have to say that I appreciate the first report from the meeting, they are some of the most detailed notes that I have seen. And, I appreciate the desire of people to participate, rather than just sit back and listen.

We have got to explore, investigate and find out if these efforts can provide sensible solutions. I have really enjoyed discussing the options with industry and other interested parties. I think first and foremost that we don't want to compete with our existing industries, but we must find a way to make these initiatives fit in with what is already happening. We need to see if we can implement a pilot program and if there are savings that could create a revenue stream to encourage investment and reinvestment.

Ultimately, we are anxious to do something. We are anxious to do something smart and something on a pilot basis. Thank you all for your time and good luck!

Agricultural Species that may be possible to grow in Maine

Albrecht Von Sydow

Miscanthus:

- A giant grass
- yields 7.5tons/acre of biomass
- Has been grown in Europe for two decades
- It can be pelletized, bricked and burned regularly
- It is also used for homebuilding
- The University of Illinois is conducting a viability study

Empress Tree

- Yields 7.5/tons/acre
- Can be cut partially every 3-5 years
- It has an advantage over traditional trees in that it can sustain an industrial harvest
- It is of limited use to the cellulose industry
- A large amount of harvesting in Germany occurs by Finnish companies

- The Finnish have been able to do so on an industrial scale

Assigned Tasks for Next Meeting:

- Industry perspectives
- Forestry Department – An analysis of the potential for improved growth rates
- Ed Miller –examine emissions and burning
- Doug Gardiner report back to the Task Force
- Bill Strauss report back to the Task Force

Dates for future meetings – public notice will be sent out. Location will either be the Cabinet Room in the State House or Room 105 in the Cross State Office Building

March 5

March 19

April 2

April 16

April 30

May 21

June date tba, if necessary