



**American
Forest & Paper
Association**



December 02, 2009

The Honorable <Insert Senator's Last name here>
United States Senate
Washington, D.C.

Dear Senator <Insert last name>:

On behalf of the nearly 1 million hard working men and women of our respective national trade associations, we urge you to co-sponsor S. 870, legislation introduced earlier this year by Senator Blanche Lincoln (D-AR). The bill extends the "Section 45" renewable energy tax credit for the production and third party sale of energy from biomass, and enhances the credit to include electricity produced from biomass for on-site use.

The five year credit period for existing biomass facilities expires on December 31, 2009. At a time when the nation is seeking to expand and increase renewable energy generation Congress can ill afford to let a tax credit expire that has enabled biomass facilities to provide critically important green jobs to rural economies across the country. Many facilities have not been able to use the existing facility credit because of confusion created by an IRS ruling shortly after the 2004 existing facility credit was put in place. In 2008 the IRS clarified the ruling. Extending the credit for another five years will help ensure that Congress' original intent is carried out. Further, expanding the Section 45 credit to include on-site use of biomass energy would promote additional use of biomass as a reliable, clean replacement for fossil fuels. Encouraging greater on-site use of biomass for renewable energy generation is particularly attractive as it is highly efficient and avoids transmission and distribution losses because the power does not need to move across the electricity grid.

The American Forest & Paper Association is the national trade association of the forest products industry, representing pulp, paper, packaging and wood products manufacturers, and forest landowners. Our companies make products essential for everyday life from renewable and recyclable resources that sustain the environment. The forest products industry accounts for approximately 5-6 percent of the total U.S. manufacturing GDP. Industry companies produce \$200 billion in products annually and employ nearly 1 million people, on par with the auto and chemical industries. The

industry is among the top 10 manufacturing sector employers in 48 states and meets an annual payroll exceeding \$50 billion. The forest products industry generates approximately 28.5 million megawatt hours of electricity from biomass annually, enough to power 2.7 million homes and more total energy than solar, wind, and geothermal combined.

The Biomass Power Association (BPA) is the leading voice of 100 power plants in 22 states, with 2,000 megawatts of capacity. These facilities utilize various organic waste residues such as wood chips, rice hulls, orchard prunings—to create power that is sold directly to the grid. BPA members and their fuel providers employ 14,000 workers, offering economic opportunity in many rural areas of the country hit hard by the recession. The majority of renewable biomass electricity for the foreseeable future is expected to come from these existing facilities, if they are able to stay open.

As you know, the housing crisis, liquidity crunch, ensuing credit collapse, and recession have had a profound impact on the economy and our industries. Since 2006, nearly 360,000 forest products employees have lost their jobs—over a quarter of the industry's total workforce. In 2008, 18 paper mills were permanently closed, shutting down 27 paper machines, and 14 machines were permanently shuttered at other facilities. So far in 2009, more than 70 mills have taken market-related downtime and several mills have permanently closed or announced they will close in the near future. In the biomass sector this year, six facilities have closed their doors (three in Maine and three in California), and another 13 have been curtailed or are under threat of closure.

We urge you to co-sponsor S. 870 to allow biomass electricity facilities the critically important incentives necessary to remain competitive with other forms of renewable energy, and help preserve the thousands of existing green jobs in facilities that benefit from this credit.

Thank you for your consideration.

Sincerely,



Donna Harman
President & CEO
American Forest & Paper Association



Robert Cleaves
President
Biomass Power