



SMART: Energy Efficiency and Sustainability in the Forest Products Sector

Themes from the Presentations and Industry Comments

September 14, 2010, Richmond, VA

On September 14, 2010, the Department of Commerce held a Sustainable Manufacturing American Regional Tour (SMART) for the forest products sector. Industry sustainability leader MWV Corporation hosted the event at its headquarters in Richmond, VA. The event was attended by 52 people and included representatives from private sector forest products companies, federal and state agencies, and non-profit organizations committed to energy efficiency and sustainability in the forest products sector.

The following discussion themes are not in any particular order, nor are they meant to be an exhaustive list of every topic that was discussed at the event. Rather, it is a compilation of the major themes that arose in each of the presentations over the course of the day. This document is for informational purposes and should not be taken as an indication of actionable items on the part of the U.S. Department of Commerce or other federal government agencies in attendance.

There were three major themes emphasized by both presenters and attendees:

1. Energy efficiency improvements are a viable way to reduce energy costs.

The presenters at the event highlighted different ways in which they have or could reduce energy costs by implementing energy saving measures. In one instance, energy savings were shown to have a greater than 40% return on investment for capital upgrades such as a new lime kiln. An example of improved energy efficiency in lighting demonstrated a payback period of just 8.5 months, while improving the overall lighting in the facility and reducing the number of lights needed for the facility. There is still a lot of low hanging fruit.

2. The forest products industry views regulation as a key sustainability issue

Numerous presenters and participants voiced concern about a set of pending EPA rules limiting emissions from industrial boilers (the "Boiler MACT rules), among other anticipated regulations. The forest products industry projects that, if implemented as proposed, the Boiler MACT rules will have significant jobs and production impacts. Industry has serious concerns about its ability to achieve the proposed emission limits with existing technology. Also, participants noted that, in some cases, recent costly emissions control upgrades were insufficient to meet the new proposed emissions limits.



3. Policies that call for increased energy production from biomass fuels present a major potential challenge for the forest products industry if they divert raw materials away from pulp and paper production.

There are a number of policies to promote the use of wood as a biofuel, including renewable fuel standard, renewable portfolio standards, and the USDA Biomass Crop Assistance Program. Policies in the European Union have led to large increases in wood pellet exports from the U.S.

These policies increase demand for feedstocks for the forest products industry, and raise the price of long and short fibers needed in the production of pulp and paper. Members of the forest products industry are concerned that these types of biomass incentives will increase the costs of manufacturing in an already tight market with very thin profit margins.

Other themes discussed by stakeholders at the event included:

- The forest products industry has already made significant sustainability gains in recycling, biomass use, water use and energy efficiency.
- The industry is a large producer of renewable energy through the use of biomass.
- The industry will be working on developing industry-wide sustainability goals.
- In addition to Boiler MACT, a number of other potential air regulations could have a negative effect on industry competitiveness in the near future.
- The traditional principle of the carbon neutrality of biomass has been challenged by some proposed EPA rules. If biomass is not considered carbon neutral, it would affect other legislation on greenhouse gases and renewable energy and would have a strong effect on the forest products industry.
- Being able to measure the environmental impacts and achieve a baseline (metrics and evaluation of energy efficiency) is of critical importance.
- Certain incentives, such as the deduction for energy efficient commercial buildings originally in the Energy Policy Act of 2005, can be particularly useful for making energy efficiency upgrades. DOE grants under the Recovery Act were also useful, but there was much more demand than supply.



- There are also opportunities in load sharing, working with utilities to manage demand and avoid excess capacity in power generation.
- Landowners are increasingly pressured to obtain forest certifications.