

Testimony of
Robert Ecklund
Great Lakes Regional Director, Pulp and Paperworkers Regional Council
Pace Local 7-0159

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Honorable Chairman Pombo, and members of the House Resource Committee. My name is Rob Ecklund. I would like to thank you for the invitation to testify today. I am the vice president of Pace Local 7-0159, and the Great Lakes Regional Director of the Pulp and Paperworkers Resource Council.

I would like to begin today with a few facts about the increased energy costs for the independent loggers, the chief supplier of fiber to our mills. I will also attach this full report with my testimony. From 1995 – 2002 fuel prices accounted for 8% to 10% of the gross income for the Lindberg Logging company. In 2003 fuel costs rose to consume 14.5% of the company's gross income. In 2004 fuel expenses consumed 18% of the gross income of Lindberg Logging. If prices keep going up as projected, Mr. Little expects that fuel will consume 21% of his gross income in 2005. These fuel costs cannot be passed on to the customer, because a large share of the timber sales that he cuts is bid out 2-3 years ago.

At the paper mill that where I am employed, we generate approximately 50% of our energy needs. 10% of our electricity is hydro generated, and 40% is generated through steam turbines. Breaking down the 40%, we have a recovery boiler, and a bark/sludge burning boiler. The recovery boiler system is used to recover and re-use the chemicals needed for processing wood chips into pulp needed for making paper. The bark/sludge boiler burns about 1000 lbs of bark generated at our on sight chip processing plant. The sludge burned in this boiler is taken from our sewer clarifiers. We also have natural gas fired package boilers on sight that can be used if necessary. The rest of our energy needs are purchased on the open market from coal powered electric plants. The increases spoken of earlier are also affecting the gross income of our plant, to the extent that energy costs are now the third highest cost behind fiber and labor costs. These costs are also hard to pass on to the customer, and in effect become another fixed cost that is to be absorbed.

In my view there are a number of things that congress can initiate to help relieve the high burden of energy costs.

1. I believe that congress needs to reform the Endangered Species Act. I believe that the current ESA presents the majority of the obstacles to access of federal lands where most of our energy resources are located.
2. I believe that congress should pass legislation to allow exploration of the Arctic National Wildlife Refuge in Alaska. If successful exploration and as a result significant productions is attained in this area, Alaska could keep its status as a major domestic producer of oil. Two recent national polls, the Luntz and the Harris report that a majority of Americans feel that energy reform and domestic production of oil should be in the forefront of a National Energy Policy.
3. I believe that congress needs to enact legislation to allow for increased oil exploration on our outer continental shelf. The decidedly green governments of many European nations have demonstrated that it is environmentally feasible to drill and produce oil in the harsh conditions in the North Sea. With the technology available today, the United States should also be able to produce domestic oil from our own continental shelves.

In conclusion, if some of these steps suggested are taken, we as a country would to take some progressive steps in easing our dependence on foreign oil production. In the paper industry the high price of energy is not always a cost that can be passed on to the customer, so it generally needs to be absorbed by the producer. The producer then needs to look for a way to reduce fixed costs which result in job cuts and in some circumstances plant closings. We as a country need a viable energy policy that will help keep our energy intensive industries running. Thank you for your time.