

Testimony of

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The Effects of High Energy Costs On Jobs and the
Potential for Expanded Use of Biomass for Energy

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and Energy Mineral Resources

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Mr. Chairman and Members of the Subcommittees, my name is Alverce M. Holloway, Jr. I am an hourly employee at International Paper, a member of the Pulp & Paperworkers Resource Council (PPRC), and a member of Firemen and Oilers Local 176. Thank you to the committee for allowing me the opportunity to testify.

The U. S. forest products industry is vital to the nation's economy. Sales of the paper and forest products industry topped \$230 billion in 2004 in the U. S. and export markets. There isn't a day or a minute that goes by when a forest product isn't part of our lives. The newspapers we read in the morning; the tables where we eat our breakfast and the box that holds the cereal; the desks we work at and the paper in the copier machine; our children's school books; the bed we sleep in, and the houses that shelter us. All are forest products that are woven into our everyday lives. Abundant and affordable energy is needed to support the jobs of those who produce the forest products our nation depends on.

While the use of our products continues to increase, the production of such products continues to move overseas because of numerous factors.

One of the major factors that has a detrimental effect on our industry is energy. Energy is the third largest operating cost for our industry, falling behind only labor and fiber. Over the last 30 years, our industry has reduced our average energy use by 17% through increased efficiency. Just three years ago, International Paper spent over \$1 billion on purchased energy, natural gas was about 1/3 of that cost. The figures aren't in yet, but one can only imagine how high the costs were in 2005.

Several years ago, as a result of government regulations, our industry provided capital and resources to start burning more natural gas. No one can argue that natural gas is a cleaner and environmentally safe source of energy. However, now that our industry has tried to do the right thing, high natural gas prices have made us refocus our energy usage, which has resulted in less diversity of fuel. We now must burn more oil and coal, which remain more cost effective for our mill. Many paper mills safely burn tire-derived fuel (TDF), recognized by the EPA as a viable alternative to the use of fossil fuels.

Here are some examples of how high energy cost has affected our mill in Franklin, Virginia.

Ex. 1. Just one year ago, the Franklin mill was paying \$7.88 per decatherm. Just last month we were paying \$14.39 per decatherm that almost doubled the cost. That's inexpensive compared to the cost that we paid for the month of October which was \$19.87, almost \$20.00.

Ex. 2. Another example would be #6 fuel oil cost. One year ago a barrel of #6 fuel oil would cost \$26.93. Now it's in the \$45.00 range, about a \$14.00 increase.

Ex. 3. Our mill has a turbine generator which is powered by natural gas and is the cleanest energy source equipment that we have.

However, because of soaring natural gas prices, our mill had to shut down usage of our turbine generator for more than 90 days in 2005.

Our mill was budgeted for energy to cost \$65.00 per ton of product but now it is costing us \$95.00 per ton. When \$30.00 per ton is applied to the more than 2100 tons that we produce per day, that is more than a \$63,000 increase per day.

In closing, burning biomass could help the overall problem of high energy cost. Incentives for burning biomass are welcome, however our overall goal should be to maintain a balance for all energy sources. Diversity of fuel is a key factor for keeping manufacturing in the U. S. We would like to commend you for convening this important forum.