

SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

Interesting follow up article regarding Maine & biomass....

Portland Press Herald

Biomass plant closures likely, despite proposed state bailout

A subsidy under consideration in the Legislature probably won't keep all six plants open, putting the jobs of loggers and truckers at risk

BY TUX TURKEL STAFF WRITER

tturkel@pressherald.com | [@TuxTurkel](https://twitter.com/TuxTurkel) | 207-791-6462

April 13, 2016

No more than three of Maine's six biomass energy plants are likely to keep operating in the near term, even if a bill to help subsidize the struggling plants and save hundreds of logging jobs is approved by the Legislature and signed by Gov. Paul LePage.

Two of the plants — in West Enfield and Jonesboro — already have shut down. James Regan, a spokesman for their owner, [Covanta Holding Corp.](http://www.covanta.com), said Monday that details in the proposed law "make it unlikely" they will resume operations.



David Ettinger of ReEnergy opens a window into the biomass plant in Livermore Falls. The future of one or two of the company's four biomass plants in Maine is at risk. *2016 Press Herald file photo/Whitney Hayward*

"We believe that the draft law will primarily benefit larger facilities," he said.

The future of one or two of the four biomass plants owned by [ReEnergy Holdings](http://www.reenergy.com) also is at risk, according to Sarah Boggess, a company spokeswoman.



20 April 2016



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

“We have made it clear that one or both of our plants in Aroostook County is at risk of closure, without a power purchase agreement,” she said.

ReEnergy’s Aroostook plants are in Ashland and Fort Fairfield. It also operates plants in Stratton and Livermore Falls.

ReEnergy also has been exploring a \$100 million project in Aroostook County with J.D. Irving, the state’s largest landowner. The New Brunswick-based company has a new \$35 million sawmill in Ashland, which sends waste wood to the ReEnergy plant.

In a statement sent to the Portland Press Herald on Tuesday, Irving spokeswoman Mary Keith said the company is in the very early stages of investigating whether waste heat and steam from the biomass plant could be used to dry fiber in a new facility. That facility would likely be a pellet mill, she indicated, but not for the residential, retail market. And although she didn’t specify an end user, her description was in line with North American mills that export pellets to Europe, where they are pulverized and used in coal-fired power plants to reduce carbon emissions.

“If this project were viable,” she said, “it would be targeted at users who are looking to replace coal with a lower greenhouse gas feedstock for a co-fired facility.”

Lawmakers are under pressure to help the biomass industry. The six power plants, which are free-standing and not associated with a paper mill or other manufacturing facility, have been hurt by factors including low wholesale prices for natural gas, which generates half of New England’s electricity. Supplying the plants has become critical for many logging and trucking companies, which have lost markets as paper mills have closed.

After a plan to make electricity customers subsidize above-market power costs at the plants failed, [a bill was drawn up that would use \\$13.4 million from the state’s rainy day fund](#). The goal is to throw a lifeline to the plants — and the loggers who depend on them — for a couple of years, while a study group comes up with a long-term plan for a viable biomass power industry in Maine.

A bill to form the study group was approved Tuesday in the House and now goes to the Senate. The study group would report back to lawmakers in December.

A vote on the subsidy proposal is expected in the next few days. But as lawmakers prepare to take up the measure, it already may be too late for some plants and their suppliers.

That’s because it’s not just the number of operating plants that matters — it’s their locations.

The Covanta plants, in coastal Washington County and Penobscot County, provided outlets for loggers that have lost markets in Lincoln, Old Town and Bucksport, where paper mills recently have closed. The Covanta plants directly employed 44 people and were served by 200 loggers and truckers, according to Dana Doran, executive director of the Professional Logging Contractors of Maine.



20 April 2016



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

Workers in eastern Maine can't benefit, for example, if the ReEnergy plants in Livermore Falls, Stratton or Ashland stay open. They are more than 100 miles away.

"You can't truck wood chips to Livermore Falls or Ashland," Doran said. "It's cost prohibitive."

This reality already has hit home at Treeline, Inc., a diversified forest products company in Lincoln. It shut down most of its trucking operation and has shrunk its workforce from 68 to 58.

"What holds together the supply chain in forest products, the glue, is biomass," said Brian Souers, the company's president. "It's really catastrophic."

One ray of hope is that some of the state's biomass plants have been shut down before and restarted. ReEnergy re-opened Ashland in 2014, after it was closed for three years by a former owner. Covanta bought the Maine plants in 2008, and invested millions of dollars. But Covanta now is largely focused on waste-to-energy plants in North America. It has acknowledged that it tried to sell Jonesboro and West Enfield last year, but couldn't find a buyer.

The proposal to prop up the biomass plants with taxpayer money specifies a total power capacity for two-year contracts. The Public Utilities Commission would conduct a competitive bidding process for power purchase agreements. The deals would have to benefit ratepayers and the state overall, with metrics such as jobs and local fuel buying. There's no way to know how plants will bid, but as a practical matter, the \$13.4 million spending cap wouldn't buy enough power to support all six plants.

A second element of the bill would seek contracts for electricity from so-called combined heat and power facilities. Waste heat from making power is used by a manufacturing partner. That greatly boosts the overall efficiency of the operations.

But Keith, the Irving spokeswoman, said the company doesn't plan to use waste heat or steam at its sawmill. She also said any new pellet mill wouldn't compete with Northeast Pellets, a small pellet maker in Ashland that produces fuel for the Maine market. That mill is currently shut because low oil prices and a warm winter cut consumer demand.

The prospect of a \$100 million investment in Aroostook County first surfaced in March, when ReEnergy was trying to persuade lawmakers to support a more-costly bailout for the industry. Whether Irving and ReEnergy go forward could depend in part on the market for pellets overseas, according to Bill Strauss, a global wood pellet consultant who runs FutureMetrics in Bethel.

A \$100 million pellet mill could produce 400,000 tons a year, Strauss estimated. That's a large volume, at a time when European utilities are well supplied, he said, and the strong U.S. dollar is hurting exports.

"Irving is a smart company, but very conservative with money," he said. "They'd have to have sales locked up, before they'd throw \$100 million into Ashland."



20 April 2016



SENT TO LSU AGCENTER/LOUISIANA FOREST PRODUCTS DEVELOPMENT CENTER - FOREST SECTOR / FORESTY PRODUCTS INTEREST GROUP

This story was updated at 11:08 a.m. on April 13, 2016 to correct the estimated amount a \$100 million pellet mill could produce, according to Bill Strauss.

Richard P. Vlosky, Ph.D.
 Director, Louisiana Forest Products Development Center
 Crosby Land & Resources Endowed Professor of Forest Sector Business Development
 Room 227, School of Renewable Natural Resources
 Louisiana State University, Baton Rouge, LA 70803
 Phone (office): (225) 578-4527; Fax: (225) 578-4251; Mobile Phone: (225) 223-1931
 Web Site: www.LFPDC.lsu.edu



President-Elect, Forest Products Society; President-Elect, WoodEMA i.a.

