



Northwest Pulp & Paper  
ASSOCIATION

February 15, 2019

The Honorable Michael Dembrow, Co-Chair  
The Honorable Karin Power, Co-Chair  
Joint Committee on Carbon Reduction  
900 Court St. NE  
Salem, Oregon 97301

***RE: Testimony and proposed revisions for House Bill 2020***

Dear Co-Chair Dembrow, Co-Chair Power and members of the committee:

The Northwest Pulp and Paper Association (NWPPA) is a 63 year-old regional trade association representing 12 member companies and 16 pulp and paper mills in Oregon, Washington and Idaho. The pulp and paper sector is an important economic driver in Oregon where six mills employ over 4,000 local workers and provide over \$1.5 billion in value added to the state's economy<sup>1</sup>. Oregon's pulp and paper producers are leaders in reducing carbon emissions and use some of the least carbon intensive energy resources of all paper producing states and countries.

I write to you today to offer our sector's insights on HB 2020, Oregon's proposed cap and trade legislation. I will start by saying that the NWPPA shares your goal of reducing greenhouse gas (GHG) emissions. We appreciate the leadership of the legislature and Governor Brown on this important issue.

We have some specific observations and concerns outlined within this letter that we hope the committee will address, but let me start by providing you some important details about our sector.

**ENVIRONMENTAL STEWARDSHIP**

Oregon's pulp and paper producers are leaders in reducing carbon emissions and use some of the least carbon intensive energy resources (biomass and hydroelectricity) of all paper producing states and countries.

Oregon mills have made important investments that significantly reduced GHG emissions. Between 2005 and 2016, overall direct carbon emissions from Oregon's pulp and paper manufacturers shrank by 55 percent. When only accounting for continuously operating mills, our sector has eliminated over 85,000 metric tons of GHG emissions. That is equivalent to over 17,976 passenger vehicles removed from our roadways.

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<sup>1</sup> Vivid Economics, Sector Brief – Pulp and Paper, Oregon Carbon Policy Office

To further illustrate how our sector is leading the way, we are significantly ahead of progress in achieving our 2020 GHG emission intensity reduction goals. Those goals have now been reset from a goal of reducing emission intensity by 15 percent to a 20 percent reduction goal by 2020.

### **KEEP BIOGENIC ENERGY CARBON NEUTRAL**

Oregon’s pulp and paper mills predominantly use carbon-neutral energy resources like biomass and carbon-free hydroelectricity that generate zero or very low CO<sub>2</sub> emissions. Carbon neutral biomass accounts for 65 percent of onsite energy generated by Oregon’s pulp and paper sector. Other electricity predominately comes from zero-carbon emitting hydroelectric energy provided by local consumer-owned utilities.

While it appears that the legislation intends to exempt biomass, we believe prior proposals were more explicit on this matter. We encourage the committee to provide more clear language and definitions in this area.

### **PULP AND PAPER SECTOR ALREADY EXPERIENCING JOB LOSSES AND MILL CLOSURES**

Since 1999, at least seven Oregon mills have closed – costing our state over 1,700 jobs. Many of these job losses have been in rural communities where the sector provided good-paying, predominantly union jobs with benefits. Impacted communities include:

- Albany
- Newburg
- North Bend
- Oregon City
- Reedsport
- St Helens
- West Linn

### **CURRENT DRAFT RESULTS IN NEGATIVE ECONOMIC AND ENVIRONMENTAL IMPACTS**

If the cost of the cap and trade proposed in HB 2020 is applied to Oregon pulp and paper mills, family-wage jobs will be lost and global carbon emissions will increase.

It’s that simple.

Oregon mills don’t compete locally. They compete with each other on a global basis, meaning that higher costs for an Oregon mill make it less competitive with its peers.

A study commissioned by the Oregon Carbon Policy Office found that the pulp and paper sector has a high trade intensity and high risk of leakage<sup>2</sup>. Without an exemption, local mills face millions of dollars a year in added energy costs from direct emissions and purchased energy and/or natural gas. The study specifically identified that, “The sector is an important economic driver in Oregon, providing US\$1.5 billion in value-added and around 4,000 jobs on average

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<sup>2</sup> Vivid Economics, Sector Brief – Pulp and Paper, Oregon Carbon Policy Office

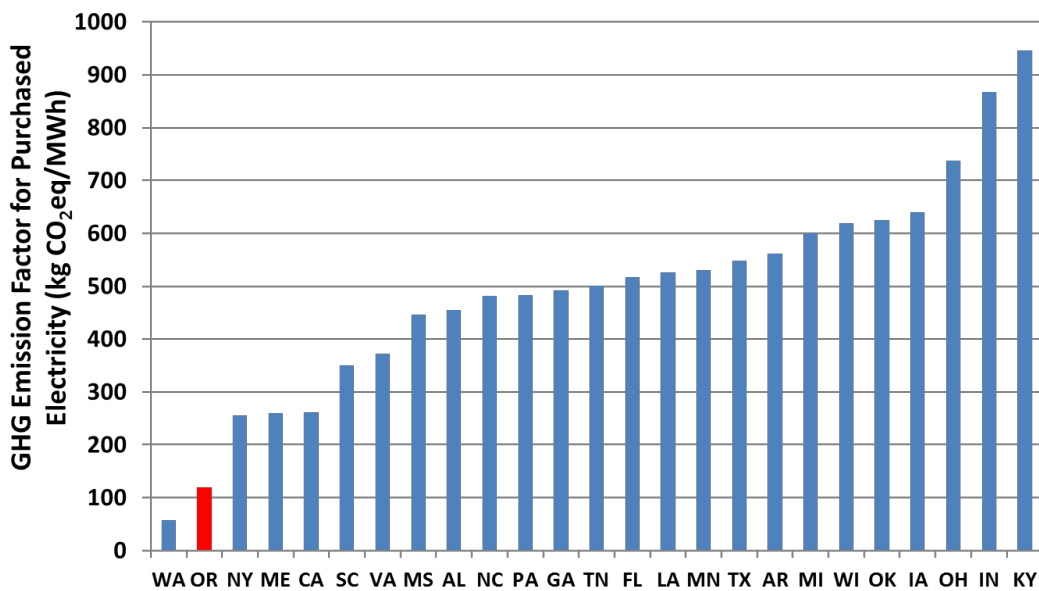
over 2014-16 to the Oregon economy.”<sup>3</sup> The same report noted that, “The pulp and paper industry may have limited cost pass-through capacity” given its competitive dynamics.<sup>4</sup>

These manufacturing-related energy costs cannot be added to the price of paper and passed on to consumers. Rather, mill owners will have to do the math and likely shift production to mills with lower operating costs – in states without carbon pricing.

Oregon pulp and paper mills generate the second-lowest intensity for carbon emissions for purchased electricity of any other state in the country (behind Washington)<sup>5</sup> Additionally, the carbon intensity of emissions is lower than all but two pulp and paper exporting countries – behind only Sweden and Brazil. Consider these figures:

- Moving just 5 percent of production to Canada would increase global emissions by ~8,000 metric tons CO<sub>2eq</sub> (Canadian average)
- Moving just 5 percent of production to China would increase global emissions by ~116,000 metric tons CO<sub>2eq</sub> (Chinese average)

## GHG Emission Factors for Purchased Electricity – Pulp/Paper Producing States

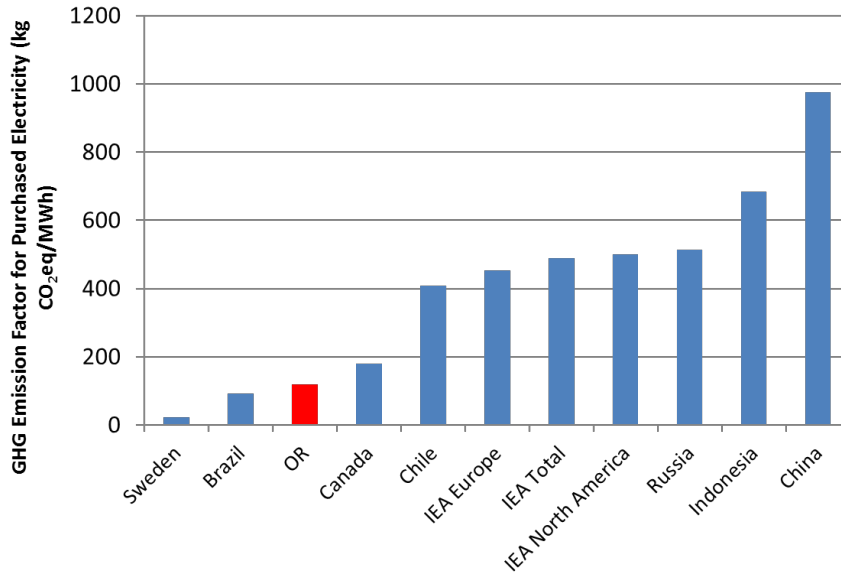


<sup>3</sup> Vivid Economics, Sector Brief – Pulp and Paper, Oregon Carbon Policy Office

<sup>4</sup> Vivid Economics, Sector Brief – Pulp and Paper, , Oregon Carbon Policy Office

<sup>5</sup> From US EPA eGRID 2012 <http://www.epa.gov/energy/egrid>

## GHG Emission Factors for Purchased Electricity - Select Pulp and Paper Producing Countries with Export Potential



Oregon facilities would shift that manufacturing to other places that likely operate under less stringent environmental standards, thereby increasing GHG emissions for manufacture of the same product. Likely competitors for Oregon’s existing production include states like Oklahoma, Louisiana, Texas, Tennessee and Georgia to name a few.

Moving pulp and paper production from low-carbon Oregon mills to higher-carbon states and countries will make global emissions worse. Without an EITE exemption Oregon will lose jobs and global emissions will increase. Losing Oregon jobs to other states or nations while merely shifting the emissions elsewhere does more harm than good.

### **DIFFERING APPROACHES TAKEN BY WASHINGTON AND CALIFORNIA SHOULD INFORM YOUR WORK**

Policy proposals in Washington have long recognized the importance EITE sectors like pulp and paper due to potential for jobs losses and “leakage.” Washington environmental leaders who sponsored a carbon tax initiative in 2018 (Initiative-1631) specifically exempted pulp and paper producers. According to Carbon Washington, “If Washington were to lose these industries to states without carbon pricing, not only would these industries continue to pollute, but the state would also lose vital economic activity.”

California went the other direction – choosing not to provide an exemption. In 2017, the Silicon Valley Business Journal (Closure of Santa Clara paper mill impacts 120 jobs, Sept. 6, 2017) noted that Graphics Packaging was closing a Santa Clara, California mill and moving production to

lower cost states as a result of the rising cost of operating in California. The company laid off 120 workers as a result. The article noted that (emphasis added):

A subsidiary of Atlanta-based Graphic Packaging Holding Co. said it will close its coated recycled paperboard mill at 2600 De La Cruz Blvd. in Santa Clara, a decision made "as a result of a thorough assessment of the facility's manufacturing capabilities and associated costs in the context of the Company's overall mill operating capability."

The products made in Santa Clara mill will be moved to mills in the Midwest, Louisiana and Georgia, the company said, where production costs are lower.

It doesn't take an economics degree to read between the lines. Pulp and paper jobs have vanished from California where pulp and paper production was not exempted.

**PROTECT PULP AND PAPER JOBS AND ENSURE LOWER GLOBAL EMISSIONS  
BY EXEMPTING THE PULP AND PAPER SECTOR**

Through innovation, improved energy efficiency, and technological advances, Oregon mills have reduced their environmental footprint to be a part of Oregon's manufacturing future

HB 2020, as currently drafted, puts Oregon's five pulp and paper mills – and thousands of jobs within the sector – at risk.

The bill should be amended to recognize the unique nature of the pulp and paper sector's energy needs and the impacts the legislation will have on costs along with the global competition we face. The NAICS codes specific to the pulp and paper sector – 322110, 322121, 322122 and 322130 – must be exempted from state-based carbon pricing program.

Without an exemption based on our EITE status, we will see continued atrophy and loss of family-wage jobs in Oregon as production moves to other states, leading to an increase in global emissions.

We appreciate your willingness to understand the challenges impacting our sector. Should you have questions please feel free to contact me at [chris@nwpulpandpaper.org](mailto:chris@nwpulpandpaper.org) or 360-529-8638.

Sincerely,



Christian M. McCabe  
Executive Director  
Northwest Pulp & Paper Association

## Attachment A

### Pacific Northwest Pulp and Paper Mill Closures; 1993 – present

- 1993 Alaska Pulp Corporation, Sitka, AK
- 1995 Pope & Talbot's Puget Mill Co. in Port Gamble, WA
- 1997 Ketchikan Pulp Company, Ketchikan, AK
- 1997 Rayonier in Port Angeles, WA
- 1999 International Paper, Reedsport, OR
- 2000 Abitibi in Steilacoom, WA
- 2002 Ponderosa Fibers in Wallula, WA
- 2003 Weyerhaeuser Pulp mill, North Bend, OR
- 2007 Georgia-Pacific in Bellingham, WA
- 2008 Boise Cascade/Boise Inc.'s pulp mill, (paper mill operating) St. Helens, OR
- 2009 International Paper in Albany, OR
- 2011 Abitibi in Ponderay, WA
- 2011 Blue Heron in Oregon City, OR
- 2012 Kimberly Clarke in Everett, WA
- 2014 Harbor Paper/Gray's Harbor Paper in Hoquiam, WA
- 2015 SP Fiber Technologies in Newberg, OR
- 2017 – West Linn Paper, West Linn, OR
- May 2018 – Georgia Pacific's pulp mill, (paper mill will operate) Camas, WA

## California Pulp and Paper Mill Closures; 2002 – present

- The last chemical pulp mill in the State of California closed in 2008. There are currently no pulp mills operating under California's cap-and-trade program.
- When California's cap-and-trade program started, there were five (5) paper mills subject to the program (over 25,000 metric tons CO<sub>2</sub>). Following the last program adjustment, two mills have closed and there are now three (3) remaining paper mills subject to the program.
- Since cap and trade went into effect in California in 2012, regulated mill capacity in the state has declined by 22 percent.
- Since 2002, 15 mills have closed in California and current pulp and paper production is 44 percent of what it was in 2002.
- **NOTE:** California's remaining paper mills are supplied by pulp mills located in states outside California including Oregon and Washington.