



USW Information Sheet on the Biofuel/Diesel Tax Credit

Background

Many U.S. pulp and paper mills supply a majority of their energy needs by burning “black liquor” – a mixture mostly containing the biological chemical lignin that is left over from chemical processes from which wood pulp is made. Pulp mills produce massive amounts of electricity, in many cases equivalent to the power usage of 10,000 to 80,000 homes. Some plants meet 100% of their energy needs with black liquor and sell electricity back to the grid. Every bit of energy supplied this way is energy that does not come from fossil fuel sources.

The U.S. paper sector has become a beneficiary of a temporary \$0.50 per gallon tax credit for blending diesel fuel into black liquor. The tax credit is serving as an emergency lifeline for many plants in the current recession. Thousands, perhaps tens of thousands, of jobs are at stake at these mills, family-supporting jobs that also support communities, in many of which the pulp and paper mills are the only significant source of employment.

Given the economic crisis in the paper industry, it is important to maintain the tax credit through its scheduled expiration at the end of this year (when it is scheduled to expire). Between now and then, the USW wants to work with stakeholders to replace the current tax credit with well-grounded incentives to increase the industry’s use of renewable fuels and recycled feedstock in ways that make mills more productive, increase American jobs, and improve our environment.

The U.S. Paper Industry in 2009

USW research indicates that at least 25 U.S. pulp and paper mills have closed their doors in the last two years. Since the early part of this decade over 250,000 workers in the U.S. paper industry have lost their jobs. Many significant paper companies have seen their stock prices drop into the single digits and many have been losing money.

Effect on Jobs

This temporary tax credit can assist the survival of pulp mills and related paper mills that might go under in the current difficult economy. Each pulp mill that remains open will continue to supply from 200 – 500 family supporting jobs, jobs that are the mainstay of many small and rural communities. An estimated two to seven additional jobs depend on each pulp mill job. The loss of one of these facilities can have a devastating impact on the community where it is located. Furthermore, much of the virgin pulp from any pulp mill that is shut down would be from nations where pulp is sourced from plantation forests or forests that are illegally logged instead of from sustainably-managed forests in the United States.

Conclusion

We ask that Congress not do anything to cause the credit to expire before the end of 2009 (as originally planned). The USW is committed to working with stakeholders to replace the current tax credit when it expires with incentives for maintaining and increasing the use of renewable fuels.