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Our industry employs about 900,000 men and women and is built on principles of sustainability: producing recyclable products from a renewable resource. Forest products companies are among the top 10 manufacturing sector employers in 47 states. American Forest & Paper Association (AF&PA) members manufacture and provide essential products used daily by people across the country and around the world -- products that play an important role in literacy, education, hygiene, food safety, product marketing and protection, and home and office construction. We support market-based policies and regulations that foster economic growth, job creation, and international competitiveness in this vital sector. We believe public policies are most effective when they meet the economic needs, environmental concerns, and societal expectations of our diverse communities.

AIR REGULATIONS

AF&PA member companies have invested billions of dollars as part of its environmental stewardship, including a 23 percent reduction in emissions of nitrogen oxide (NO_x) and 42 percent for sulfur dioxide (SO₂) by our pulp and paper facilities since 2000. Despite this investment, the industry faces challenges from new and existing regulations – driven by lawsuits under the Clean Air Act – that together could impose more than \$10 billion in new capital obligations on the industry over the next 10 years. The cumulative burden being imposed on business is unsustainable.

BIOMASS FOR RENEWABLE ENERGY

The forest products industry is the nation's leading producer and user of carbon-neutral, renewable biomass energy. AF&PA believes market forces, not government mandates and incentives, should determine the use of wood and wood residuals for renewable energy. Government policies that pick winners and losers by mandating a particular use for a raw material or fuel are misguided and should be avoided. Woody biomass is an essential raw material for value-added forest products, such as paper, packaging, wood products, wood-based chemicals, and other innovative products. On average, about two-thirds of our industry's total energy demand is met through carbon-neutral biomass, and some of our renewable electricity is sold to the grid. This process is among the most efficient in the world, using materials that would otherwise be waste to create both thermal and electrical energy, commonly referred to as combined heat and power (or cogeneration) technology.

Studies show that per ton of wood used, the paper and wood products manufacturing industry sustains nine times as many total jobs as the biomass energy sector. Accordingly, it is important for federal renewable energy policies should not require forest products manufacturing facilities to compete on an uneven playing field with their power suppliers and other energy producers for biomass fiber.

CARBON NEUTRALITY OF BIOMASS ENERGY

Paper and wood products mills use biomass residuals from their manufacturing operations to produce bioenergy that provides significant carbon reducing benefits to the environment. AF&PA urges policymakers to clearly recognize our industry's use of biomass for energy as carbon neutral. EPA's revised framework



to account for biogenic carbon does not provide the certainty needed that the bioenergy we produce and use is carbon neutral.

As forests grow, trees remove CO₂ from the atmosphere via photosynthesis. Trees release the stored carbon when they die, decay, or are combusted, thus completing the carbon cycle. The use of biomass in the paper and wood products manufacturing industry provides enormous greenhouse gas reduction benefits by avoiding the emission of about 181 million metric tons of CO₂e. This is equivalent to removing about 35 million cars from the road.

Under EPA's current and proposed greenhouse gas regulations, biogenic CO₂ emissions are counted the same as fossil fuel emissions. On Nov. 19, 2014, after an extensive four-year review, EPA issued its revised draft Framework for Assessing Biogenic CO₂ Emissions from Stationary Sources and a related policy memorandum. In the memorandum, EPA makes a preliminary finding that the use of certain forest-derived industrial byproducts for energy is carbon neutral. In the framework appendices, EPA unequivocally finds that black liquor is carbon neutral. While EPA recognizes that there are carbon benefits from using other manufacturing residuals for energy, the forest products industry needs greater certainty for all of our forest products manufacturing residuals and detailed information about how EPA will determine what is "sustainably-derived" forest biomass.

ENERGY

Our industry is a leader in the use of renewable energy and highly-efficient combined heat and power (CHP), or cogeneration. Even so, purchased energy remains a major manufacturing cost for the forest and paper industry.

EPA's greenhouse gas (GHG) regulation of existing electric utilities under the Clean Power Plan (CPP) will increase energy costs, decrease the reliability of the electric system, and set adverse precedent for potential GHG regulation of our industry. As the nation confronts the challenge of upgrading its electrical transmission infrastructure, care must be taken to ensure that upgrades are based on sound economic analysis and that their costs are paid for in a fair and equitable manner.

AF&PA is pleased that the Supreme Court stayed the implementation of the CPP rule pending resolution of claims that EPA exceeded its legal authority in the way in which the rule is crafted.

GHG REGULATION

AF&PA members have reduced their greenhouse gas (GHG) emissions intensity by over 23 percent since 2000. Beyond what the industry has already achieved, we have committed to a reduction of at least 15 percent by 2020 from a 2005 baseline.

The final adopted Clean Power Plan and model rules should provide for least-costly implementation possible to ratepayers and the economy, including recognizing the climate benefits of biomass energy. Our industry's products and how we produce and use biomass energy are all part of the sustainable carbon cycle. Although EPA acknowledges that biomass energy can have climate benefits compared to

using fossil fuels, EPA's final Clean Power Plan (CPP), which regulates GHG emissions from existing electric utilities under the Clean Air Act (CAA), sets up significant hurdles for states to qualify their use of biomass energy as a compliance measure. In addition, EPA's revised accounting framework for biogenic carbon dioxide (CO₂) emissions and the accompanying policy guidance released in November 2014 acknowledge the carbon benefits from certain forest products manufacturing residuals. However, our industry needs greater certainty regarding the carbon neutrality for all manufacturing residuals and "sustainably-derived biomass."

ILLEGAL LOGGING

AF&PA is a strong proponent of international efforts to suppress illegal logging because trade in illegally sourced fiber is a serious detriment to the industry's sustainability, the environment and the global economy. AF&PA supports language in the Trans-Pacific Partnership trade agreement negotiated by the U.S. and countries in the Asia-Pacific region that calls for strong laws against illegal logging and associated trade and their enforcement. An AF&PA commissioned study estimated that illegal logging cost the U.S. forest products industry some \$1 billion annually in lost export opportunities and depressed U.S. wood prices.

AF&PA is working closely with a broad consensus coalition of businesses, conservation groups, and labor organizations that is calling on federal agencies to ensure successful implementation of the law. AF&PA supports adequate funding for the implementation of the Lacey Act and the phase-in of the declaration requirement to imports of composite wood products and pulp and paper.

AF&PA supports administrative clarification that the Lacey Act amendments do not apply to products imported or manufactured prior to May 2008, and the Lacey Act should not be enforced against individual consumers.

INTERNATIONAL TRADE AND COMPETITIVENESS

Paper and wood products exports account for about 15 percent of the industry's annual total sales. In 2015, the industry's global exports totaled about \$30.3 billion, of which nearly \$8.9 billion were exports of wood products and \$21.4 billion were exports of pulp, paper and packaging.

AF&PA supports free and fair trade. In an increasingly globalized market, it is critical for the U.S. paper and wood products manufacturing industry to achieve unrestricted access to international markets and level the playing field among international competitors by eliminating both tariff and non-tariff barriers.

Free trade agreements offer opportunities for achieving the industry's trade and competitiveness objectives – including the speedy elimination of foreign tariffs and non-tariff barriers. Therefore, AF&PA supports for congressional approval of the Trans-Pacific Partnership agreement, because it will eliminate forest products tariffs and establish a strong platform for achieving further trade liberalization in the fast growing Asia-Pacific region. AF&PA also supports the free trade negotiations with the European Union, called the Transatlantic Trade and Investment Partnership. This trade deal provides an opportunity to eliminate tariffs, non-tariff barriers and regulatory impediments to trade in one of the top export markets



for U.S. forest products.

NAAQS PERMITTING UPDATES

Regulated industries are finding it increasingly difficult to expand due to out of date and unrealistic permitting requirements. EPA should defer any tightening of NAAQS until a smoother permitting process is reestablished.

The inability to permit a project hurts the competitiveness of the facility, harms product development and innovation, and can thwart environmentally beneficial projects. Local communities will miss out on new jobs and economic growth while industry sectors face the risk of becoming uncompetitive in the global marketplace of forest products.

PAPER RECYCLING

A record 66.8 percent of paper consumed in the U.S. was recovered for recycling in 2015, and the annual paper recovery rate in the U.S. has nearly doubled since 1990. By weight, more paper is recovered from municipal solid waste streams than glass, plastic, and aluminum combined, according to EPA. Recovering paper extends the useful life of fiber and saves valuable landfill space. Paper recycling is widely accessible, with 96 percent of Americans having access to community curbside and/or drop-off paper recycling programs. The existing voluntary, market-based paper recovery system fuels innovation, creates lasting infrastructure, and enables us to make new products from paper that is diverted from the waste stream.

POSTAL REFORM

The U.S. Postal Service (USPS) is the essential component of a \$1.4 trillion mailing industry that employs about 7.5 million Americans in large and small business enterprises across the country. Serving 153 million residents, offices and businesses across the country, the Postal Service connects people and business transactions through a sophisticated delivery infrastructure no other entity can provide. In addition, approximately one-third (\$6 billion worth) of communications papers produced in the U.S. are delivered through the mail system.

Continuing financial losses without much-needed legislation will force USPS to take more drastic actions that could have disruptive, negative effects on customers, jobs and the availability of postal services upon which many Americans depend. Only Congress, through postal reform legislation, can make necessary changes to address the major drivers of Postal Service losses that will ensure mail is an affordable and effective option that meets the service needs of customers. Postal reform legislation must address the fundamental causes of USPS financial challenges. Legislators must recognize that rate increases and reductions in service will drive customers away and further accelerate the decline in mail volume.

AF&PA supports legislative measures that ensure the fiscal viability of the USPS by eliminating unreasonably imposed financial obligations to the Postal Service; allows the Postal Service to innovate and develop new revenue sources; support service standards that meet the needs of the public and

business customers, including continued six day mail delivery; ensures postal rate setting has checks and balances that provide price predictability for mailers and cost-control incentives for USPS; and enable mail as a cost competitive option for business communications.

PROMOTING ACCESS TO PAPER OPTIONS FOR GOVERNMENT PROGRAMS

AF&PA believes the public should be able to choose the manner in which they receive information and services from the government and not be forced into a digital-only option. Paper and digital formats can be complementary; those who wish to receive paper-based communications and documentation should not be forced to either use digital delivery or forgo the information or service.

We support policies that recognize paper-based communications are critically important for millions of Americans. Federal agencies should not eliminate a paper option without a cost-benefit analysis, but should provide adequate public notice to people affected by a proposed elimination of paper options, allowing ample opportunity to provide input and taking public comments into account before making a final decision. Federal agencies proposing the elimination of paper options must ensure safeguards are put into place to protect personal information from identity theft or fraud before requiring a digital-only option.

The government's rush to digitize puts millions of Americans at a disadvantage, many of whom are in rural communities and/or low income households – 45 percent of seniors do not own a computer and 30 percent of citizens do not have online access at home.

RECYCLED CONTENT MANDATES

AF&PA opposes recycled content mandates as an ineffective path to increasing paper recovery. Additionally, the distinction between pre- and post-consumer content constrains the amount of recovered fiber available for recycling and should not be used in government policies. EPA is considering changes to federal purchasing requirements that would require communication papers to have 100 percent post-consumer recycled content.

Mandating post-consumer recycled content for fiber-based products creates the misleading perception that certain types of recovered fiber are better than others. Not all types of recovered fiber are suitable for recycling into communications papers, and available post-consumer sources of recovered fiber are declining.

Rather than arbitrarily mandating 100 percent recovered content in communications papers, EPA should take a more measured approach that accounts for all of the environmental and economic consequences that mandates impose. The aim should be to increase paper recovery, and the U.S. paper industry has demonstrated its commitment by achieving a paper recovery rate of over 66 percent and working towards an industry-wide goal to exceed 70 percent recovery by 2020.



SUSTAINABILITY

AF&PA's comprehensive sustainability initiative - Better Practices, Better Planet 2020 - includes six measurable goals focusing on paper recovery for recycling, energy efficiency, greenhouse gas emissions, sustainable forestry practices, workplace safety, and water use. Our members have long been good stewards of our planet's resources, and this initiative shows our proactive approach to the long-term success of our industry, our communities, and our environment. We have made great strides towards reaching the Better Practices, Better Planet 2020 goals, surpassing those for greenhouse gas emissions and workplace safety ahead of schedule.

TAX

AF&PA urges Congress to reform the federal tax system in a manner that promotes economic growth, job opportunities, and the competitiveness of U.S.-based businesses. We believe the tax code should provide a level playing field for business activity and avoid picking "winners and losers" among economic players. The U.S. has uncompetitive business tax rates on domestic income and needs of major reforms to its system of international income taxation. AF&PA opposes retroactive tax changes and urges appropriate transition relief as part of comprehensive tax reform.

TRANSPORTATION

AF&PA supports making critical improvements to America's transportation efficiency by safely increasing the maximum Gross Vehicle Weight (GVW) on federal interstate highways with an additional axle. An increase in the maximum allowable weight of six-axle semi-trailers is an effective and safe way to increase truck productivity and America's freight capacity. Technology improvements and stronger roads and bridges make it safe for each truck to carry more freight. It would also mitigate the current transportation capacity shortage that inhibits moving raw materials to mills and products to customers.

Rail customers are not receiving reliable rail service at reasonable rates. Nearly one-third of forest products facilities have access to only one rail carrier. The railroad industry has an obligation to serve its customers and the nation's freight rail needs, but many see their monopoly status as an opportunity to charge excessive rates while providing poor service.