Air Regulatory Challenges

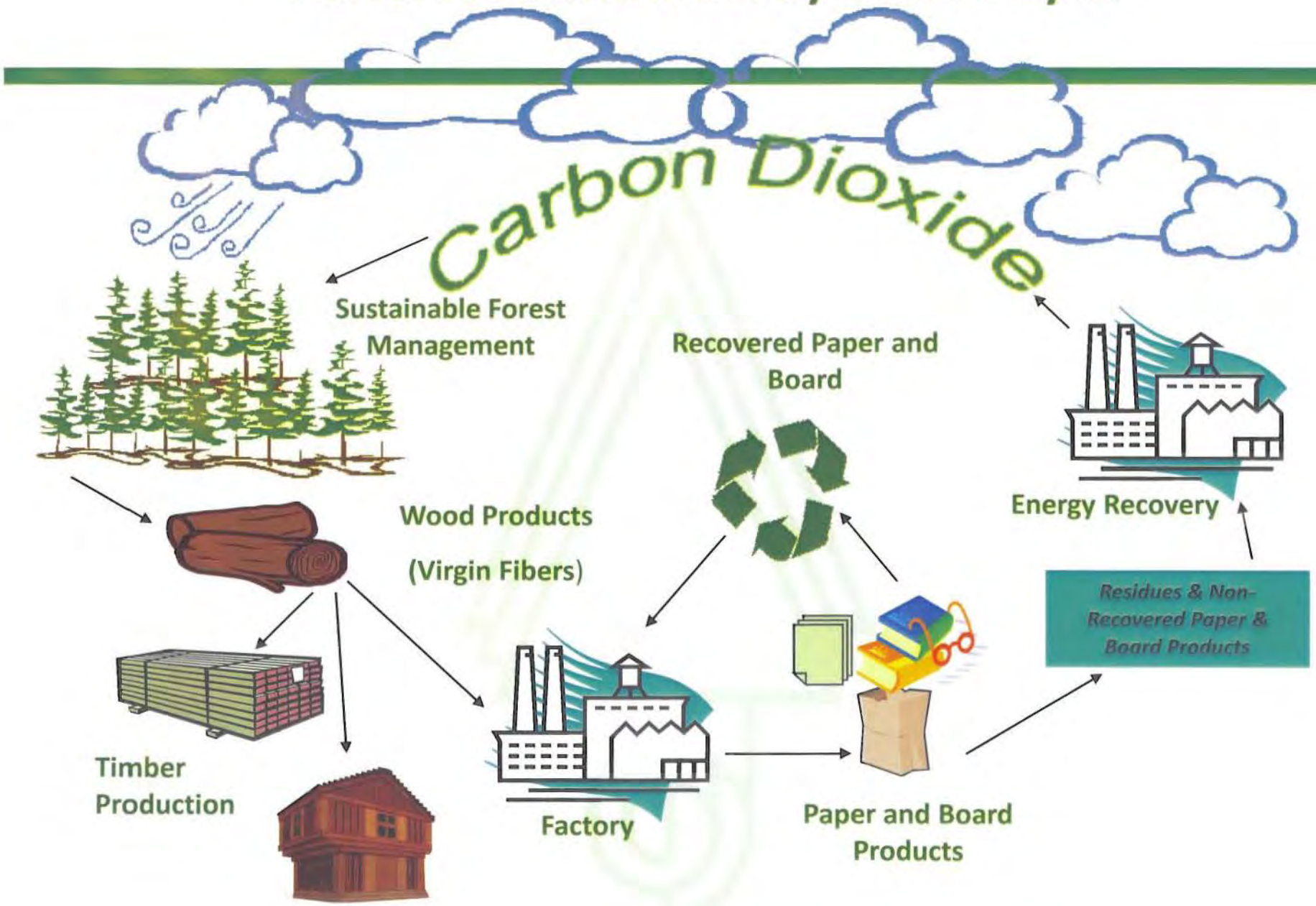
September 9, 2009

American
Forest & Paper
Association

Overview

- Sustainability and Renewability of Forest Product Industry
- Economic Situation and Trends
- Good Environmental Record
- Data Rich Organization
- History of Working Collaboratively with EPA

Forest Products Industry Carbon Cycle

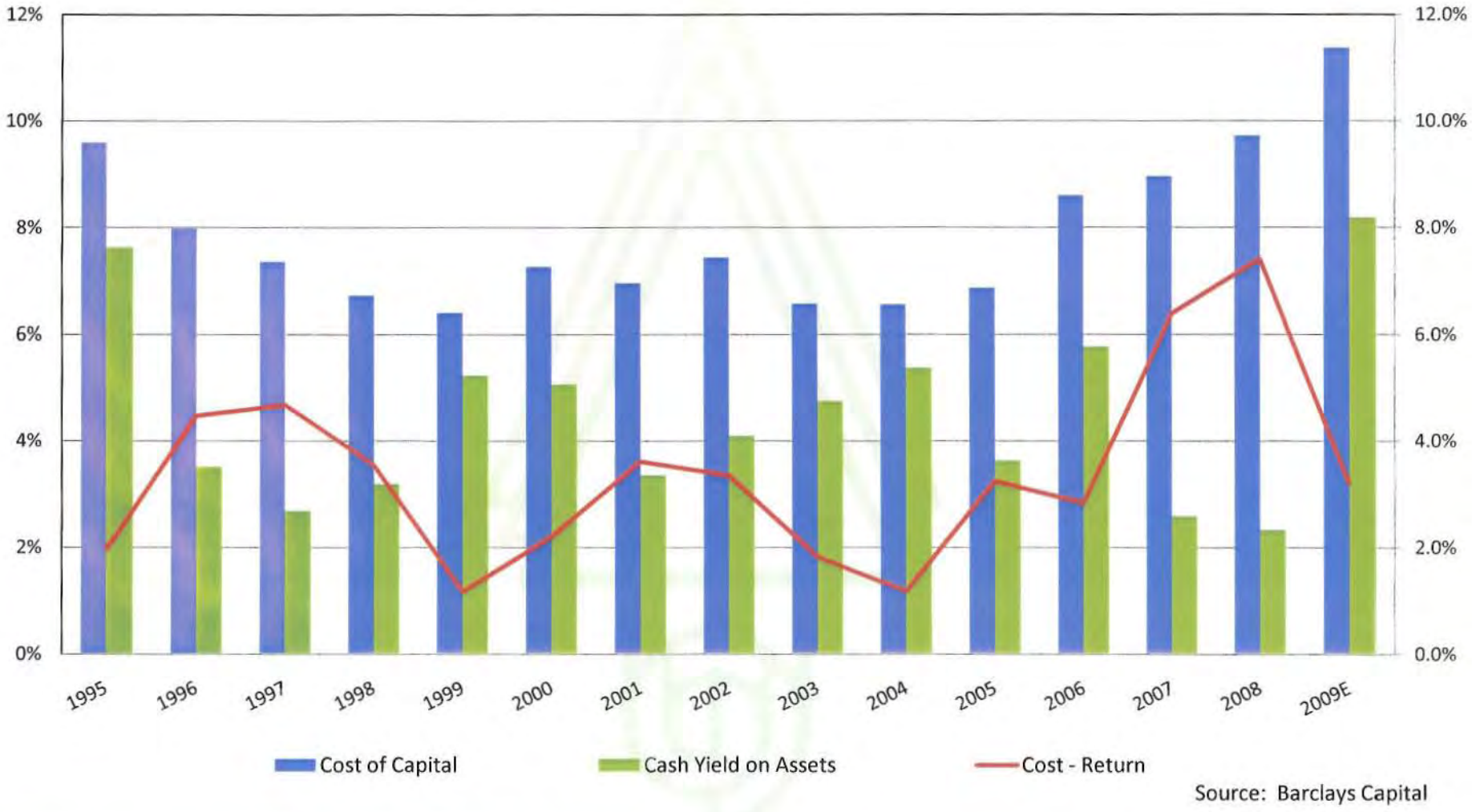


Forest Products Industry Employment*

* Includes paper and allied products, wood products, and logging.

Source: Bureau of Labor Statistics

Not Making Cost of Capital

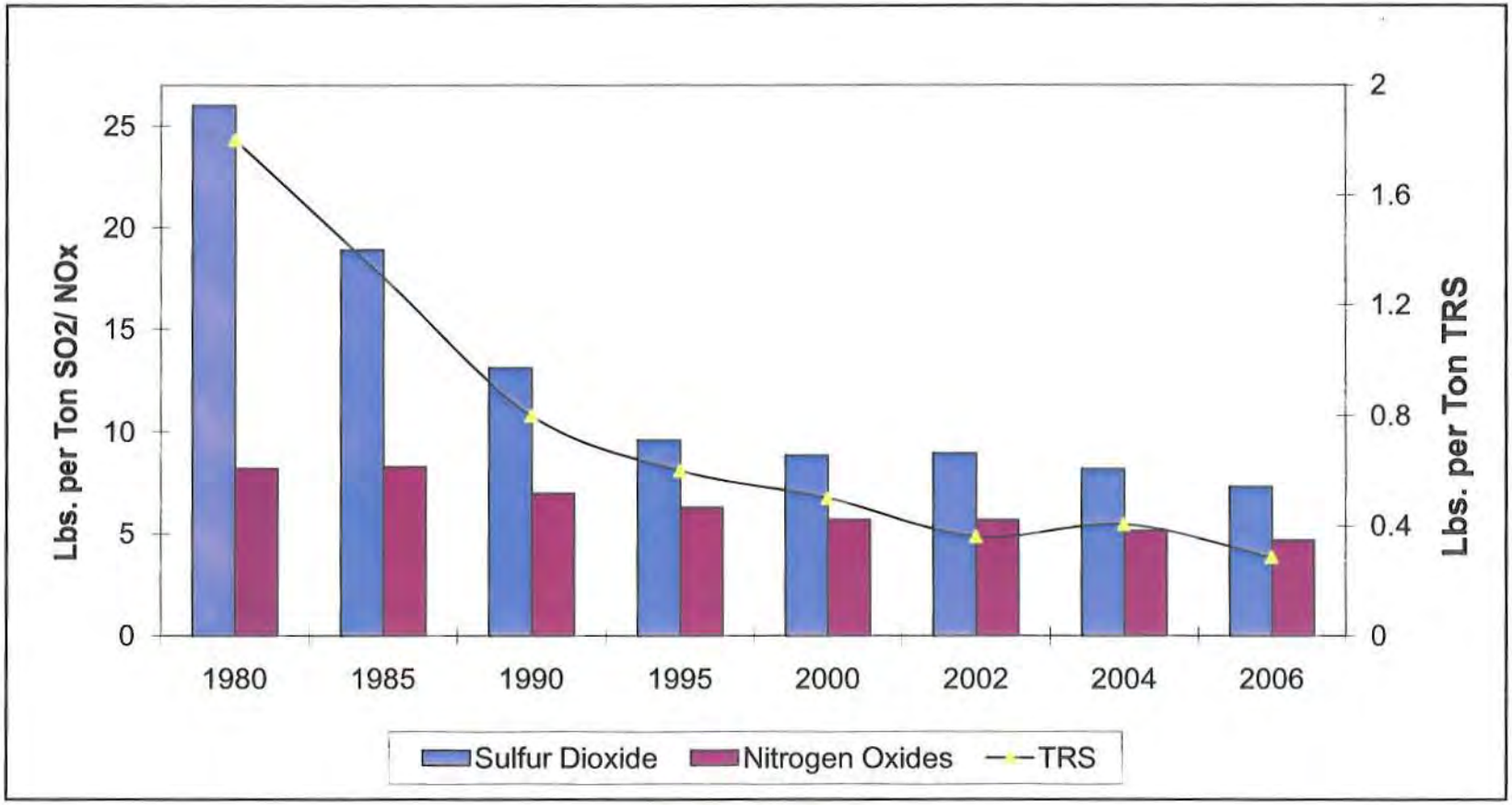


Source: Barclays Capital

Shrinking our Environmental Footprint

- Between 1975 and 2006, AF&PA member pulp and paper facilities reduced their emissions of key air pollutants by 62% and the volume of water discharged by 53%, per ton of production.
  - SO_2 emissions have been reduced by over 70%
  - NOx emissions are down by almost 43%
  - TRS levels have declined 84%
  - Significant progress also has been made to reduce other pollutants such as VOCs and HAPs.
- Since 1995, member pulp and paper mills reduced their waste generation by 21%.

Pulp and Paper Air Emission Reductions



Air Rules - Costs, Benefits and Discretion

Clean Air Rules	Capital Cost	Benefits/Disbenefits	Discretion
Reopen Pulp & Paper MACTs	$4.3 Billion	Less than one cancer case every 20 years; CO_2 and NOx emission increase with new controls	Yes – Cluster MACT sufficient
CAIR for Industrial Boilers/Recovery Furnaces	$1.4 Billion	SO_2/NOx declining significantly and only 10-20% in non-attainment areas	Yes – Focus on utilities
New Source Review (NSR) Changes	$0.6 billion	Minimal given NAAQS/SIP program; fewer energy efficiency upgrades	Yes - 2002 rule working
Boiler MACT/Incinerator MACT/Boiler GACT	$6.5 Billion	HAP impacts small, significant SO_2/PM co-benefits; shutdown of biomass boilers including CHP	Mostly – Set C/E limits
Hydrogen Sulfide HAP Listing	$2.7 Billion	Minimal given new health and exposure information	Yes – Don't need to list
Wood Products MACT	$0.8 Billion	Low risk sector; increase CO_2 and NOx with new controls	Mostly – Use C/E work practices
Start-up, Shutdown, Malfunction Fixes	$0.3 Billion	Minimal since strict MACT applies >99.9% of time; redundant energy intensive controls	Mostly - Avoid $$ controls
NAAQS (PM and Ozone) Lowered	$0.5 Billion	Declines with increasing stringency; VOC controls increase GHGs and NOx	Partially – Avoid over tightening
Other Rules – NSPS, Regional Haze, Other NAAQS	~$0.3 Billion	Small	Partially – Keep NSPS = MACT
Total	**~$17 B**	**$4 Billion Annualized**	

How Can We Help?

- We have a good track record of working to help EPA and ENGOs to design reasonable rules that can achieve environmental and business success.
- With scarce resources at the agency and in industry, we want to make sure the most important issues get prioritized and solved first.
- We have a positive role to play in climate and renewable energy, but how these goals are accomplished matter to our global competitiveness.