

Maine Biomass and Biofuels Conference Towards Energy Independence for Maine

Thank you for hosting this conference

and thank you for helping move Maine down the road to energy independence.

When Governor Baldacci created the Office of Energy Independence 4 years ago, crude oil traded for just over 20 dollars a barrel and heating oil and gasoline were under 1.50 a gallon.

Energy independence, global warming, ethanol, and biodiesel were not words you heard every day.

As we all know, in just 4 short years the energy picture has changed dramatically

So much so that the media now actually attends and covers the energy press events

There is nothing like high prices to get a discussion going again about energy and how to create a lower cost, and politically and environmentally sustainable energy policy

The trick is to keep both the discussion, and the action, going when gas prices drop below 3 dollars

Because we need energy independence and a sustainable energy policy for all sorts of reasons

We need it to divorce U.S. foreign policy from our insatiable appetite for oil and natural gas

We need it because prices must inevitably rise if the energy demands of the U.S. and of other nations with much lower per capita energy consumption grows

We need it because many of our people and businesses cannot afford these prices or this price volatility

We need it because it makes no sense to send oil dollars to Texas, Alaska, Venezuela or Saudi Arabia when we can put these dollars into pockets of Maine's farmers and foresters, rural communities, and Maine workers.

And finally, we need to wean ourselves of fossil fuels for the sake of our children -- because we have a moral obligation to solve the climate crisis we have created

We should not stop at the goal of attaining 25 percent of our energy supplies from renewable energy by 2025

we should reach for a goal of 100%

And, the State Planning Office and my office have undertaken a study of how we can achieve this ambitious goal

For better or for worse, Maine does not have the coal, the oil, or the natural gas resources that many other states have.

But, we are blessed with vast energy resources that can be harnessed from our rivers, from our forests, and from the wind, the sun, and the tides.

Maine led the nation in extracting electricity from its renewable resources after the last energy crisis

And we are poised to do so again

But, we cannot achieve our ambitious goals of energy independence simply by increasing renewable energy supplies. We must reduce demand.

Let me repeat that, because this is fundamental: we must reduce demand.

Because even ambitious estimates conclude that corn based and cellulosic ethanol will replace just 30 percent of U.S. motor fuel demand, or about 10% of total oil consumption.

So we must do more to conserve energy, to use energy more efficiently, to grow smarter, and to create a more sensible transportation system.

The Governor has put Maine on the road to energy independence.

He has signed Executive Orders

To incorporate the LEED standards for state buildings

To improve the efficiency of the state's vehicle fleet and reduce miles traveled: and we have

A 5 fold increase in hybrid vehicles

1.2 million mile VMT reduction

Nearly 300,000 gallons of fuel saved

Preferential parking

Doubling the state vanpool program

Providing pre-tax benefits for vanpool expenses

We are reducing energy used by lighting, vending machines, and exit signs in state buildings.

We use a biodiesel blend to heat state offices

And we are working to become the first state in the nation to buy 100 percent of our electricity from Maine's renewable power resources

The Governor has introduced legislation to increase EE and RE statewide through

Natural gas conservation programs

Solar Rebates

A Production Tax Credit for Biofuels made in Maine

And, this year he introduced and signed an Energy Bill that:

Sets a goal of 10 % new renewable power by 2017 and uses a long term contract approach to get there

Treats EE as a resource and incorporates it into the standard offer electricity product

And, reduces that excise tax on biodiesel blends by 8 cents/gallon

The Governor has initiated programs to save energy, like

OKMW, using teams of volunteers to winterize the homes of nearly 4,000 of our most vulnerable citizens in the past 2 years, which has reduced their energy bills and helped them stay more comfortable

The Maine Housing Authority's HELP Energy Efficiency Loan program

And, Maine Home Performance with ENERGY STAR, our new whole house efficiency program that will give homeowners a 1 stop shopping approach to weatherization and efficiency gains, with energy savings of between 10 and 50 percent

And, finally, we are changing the landscape of Maine with exciting new renewable energy projects:

The largest wind project in New England is going up now in Mars Hill

With hopefully many more soon to come

We look forward to the day we will see underwater wind turbines harnessing energy from our excellent tidal power resource

We are here to talk about our bioenergy vision.

Just as Maine led the nation in the development of biomass to electricity, we can and will lead in biomass to fuels.

Eric Kingsley noted in his June Report to the DECD's Office of Innovation:

Maine has the natural resources, contained in our vast supplies of cellulose in our wood and wood waste products.

And, I would add we have agricultural land on which to grow crops that can be converted to fuels.

Maine has the industrial infrastructure

and, I would add, one of the best if not the best work forces in the country

Maine has the intellectual institutions to capitalize on the research being done

Eric recommended a dozen steps we must take to attract private developers looking to convert wood to fuels and chemicals, through fermentation, gasification, pyrolysis and fractionation

We are taking or will take all of them

First, we have taken a technology neutral approach to biofuel development. We are letting the private sector take the lead in bringing new technologies to market.

Second, we recognize the state must play a role in provision of capital investment in new projects.

At the same time, we all must recognize that Maine does not have the resources of a state like New York, so we have to be smarter

We are playing an active role to bring exciting bioproduct projects forward

Over the past 3 years FAME has approved insurance for 4 of Maine's biomass to electricity plants

And, early next week we will announce the future of the Old Town mill, which will be anchored in biofuels

I would also note that twice the Governor's bond package contained \$5 million for forestry and agriculture, but these did not survive at the Legislature

Third, we are providing funding for feasibility studies.

MTI has awarded funding to companies throughout Maine, covering a wide range of feedstocks and products, including:

Cyr Lumber (feasibility study on extraction of high value chemical compounds from wood);

Maine Biodiesel (fractionation of crude tall oil);

Maine BioFuels (feasibility survey of gasification process);

Maine Bioproducts (high volume biorefinery to convert forest biomass to fuels and chemicals);

River Valley Growth Council (optimization of product mix and process control);

River Valley Technology Center (support to Fractionation Development Center for forest biomass conversion);

Safe Handling (support to move a commercially viable biorefinery forward)

Tethys Research (enzyme assisted pretreatment for oxygen delignification)

Frontier Energy

Chewonki

Next, we are supporting R, D & D of new technologies.

The University of Maine's \$10 million grant to establish a Forest Bioproducts Research Institute is a great way to start

The Kingsley Report recommends adoption of tax incentives for biofuels.

In 2003 the Baldacci Administration proposed and helped pass a 5 cent per gallon PTC for biofuels produced in Maine.

This year the Governor introduced and has signed an excise tax credit for diesel motor fuel containing at least 2 % biodiesel. We are already seeing signs that this is having a positive impact on penetration of biodiesel

The report recommends we help provide a better understanding of the resource base available.

Alec Giffen and his crew at Forestry have and will continue to do this

It recommends we serve as a matchmaker between developers, opportunities, feedstocks, financing, and infrastructure.

We have an open door policy. The commissioners of DECD, the PUC, Conservation and others regularly meet with developers to help them overcome hurdles and move viable projects forward as quickly as possible

The report recommends we consider developing a forward market for biomass just as there is for other fuels, to help reduce price uncertainty.

We are certainly going to watch any other regions that establish such a market, and will take action if it appears both feasible and beneficial.

It recommends Maine develops permitting rules that are clear and reasonable.

Frankly, I have not heard that permitting is a real issue. If it is we will address it, as we have done with wind power and are currently looking at for tidal power.

The next recommendation is to address the cost of electricity.

I was glad to see that the report notes the complexity of this issue, as well as the fact that biomass generators and presumably biofuel producers like high prices.

The short answer to a complicated issue is that restructuring is not working. We are taking actions to reduce electricity costs – the Governor's energy bill, the ISO study -- but it will not happen overnight.

The last recommendation of this excellent report is that we develop regional support for cellulosic fuels.

**This is happening through the work of CONEG, the
NEGC, NESCAUM, and other regional groups.
Certainly, more can be done.**

**In the past 4 years we have put Maine on the road to
energy independence**

**But I am sure we can all agree that it is a long road, and
That we will hit some bumps and potholes on the way**

**So we need to continue to work together to reach our
ultimate destination.**

Thank you.