Maine Forest Products Council

The voice of Maine's forest economy

Testimony In Support of LD 2044
"An Act to Allow for the Transferability of the Biofuel Production and Renewable Chemicals Tax Credits"

January 20, 2026
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Good afternoon, Senator Grohoski, Representative Sayre and distinguished members of the Taxation Committee. My name is Krysta West. I live in Readfield, and I am testifying on behalf of the Maine Forest Products Council in strong support of LD 2044, "An Act to Allow for the Transferability of the Biofuel Production and Renewable Chemicals Tax Credits."

For 65 years, the Maine Forest Products Council has served as the voice of Maine's forest economy, representing hundreds of members from all facets of the forest products industry. Our members include pulp and paper mills, sawmills, secondary wood processors, foresters, loggers and truckers. We also represent commercial landowners sustainably managing more than 8 million acres of forestland.

Maine's $8.3 billion forest industry remains a significant economic engine to our state, but it will not come as a surprise to any of you here today to hear that the industry has changed from what it was thirty, twenty, or even just ten years ago. MFPC recently conducted an economic analysis comparing the state of the industry in 2019 to that of 2024. The results clearly showed that forest products are at an inflection point as the industry continues to pivot away from producing printing and writing paper that once dominated our industry towards a more diverse and resilient portfolio of that includes many exciting and innovative solutions that fit a modern world. Biofuels are one of these promising innovations, providing a scalable, sustainable, renewable fuel source from low-grade wood and residuals that Maine has in abundance. Encouraging this emerging market would allow for economic development in some areas of our state that are most in need of investment, while also supporting a heritage industry that remains a lynchpin for Maine's economy.

The forest products industry is constantly looking for markets to fully utilize our abundant forest resources, which require strong demand for all species and grades of wood. New markets for residuals and low-grade wood that have lost market demand in recent years are necessary to support sound forestry practices. While the Early Intervention Strategy program for treating the current Spruce Budworm outbreak has shown early success in altering the outbreak pattern, the budworm's return has further highlighted the need to establish more manufacturing capacity for low-grade softwood in particular.

Between 2012-2022, we lost approximately three million tons of harvest annually, which works out to roughly 257 trucks every day of the year that were once being harvested that no longer have a market today, and we anticipate that harvests have reduced further since 2022. According to the recent MDF Measures of Growth report, the ten-year growth-to-removal ratio rose 3% to 1.55, which is well above

the sustainability goal of maintaining a 1:1 ratio. Impacts of this loss are felt throughout the forest supply chain, with loggers and landowners especially feeling the pinch.

LD 2044 would retool an existing tax incentive that has not yet been utilized in a way that would make it more beneficial for where we are at in establishing biofuel manufacturing today. Currently, there are three companies that have expressed interest in establishing a biorefinery in Maine (Castlerock in Millinocket, Biofine in Lincoln and DG Fuels in Limestone). These projects are currently in the capital raising phase, which makes this legislation very important.

Tax credits are an exceptional way to incentivize the types of development that provide a public benefit, but those credits are only useful once a company has advanced to the point of having a tax liability. This bill would allow biofuel companies to sell their tax credits, allowing it to be used as part of the capital stack to the next phase of becoming established and operational. This bill also provides the potential for others to invest in biofuel and renewable chemical companies without the loss of control that is often faced by investors.

In addition, the University of Maine is a leader in research relating to biofuel; this bill allows the industry to continue to grow and innovate biofuels that will be important for society (wood-based crude oil used for institutional heating, home heating oil and jet fuel) right here in rural communities such as Millinocket, Lincoln and Loring rather than seeing those technologies refined elsewhere. Being the most dependent state on heating oil to heat our homes, this bill isn't just about supporting our economy but also establishing energy independence.

Finally, the transferability of this tax credit would provide an additional log to the fire that is a strong, diversified forest product market. If successful, the proposed biofuel projects in Lincoln and Millinocket would provide additional diversity for our heritage industry, with demand equal to approximately 35 truckloads of wood per day in a region that has suffered from the loss of multiple mills.

We appreciate the opportunity to testify in strong support of LD 2044, and we would like to thank the sponsors for bringing this important legislation forward.