



Vermont Senate Appropriations Committee
c/o Becky Buck
Legislature Joint Fiscal Office
1 Baldwin Street
Montpelier, VT 05602

April 9, 2018

Dear Senators,

Advanced wood heating offers an immediate rural for economic development opportunity for our state. Additionally, the Governor's Climate Action Committee recommended increasing advanced wood heating as meaningful and necessary to reduce climate pollution. I am writing you today to ask that the Senate Committee on Appropriations please support a sales and use tax exemption for new, efficient advanced wood boilers (S.276; H.904; H.294). Advanced wood heating supports Vermont's economy, working landscape, state renewable energy and climate commitments, and all Vermonters.

1. Almost every penny of every dollar spent on local wood stays right here in our economy, whereas \$.78 of every dollar spent on dirty fossil fuels leaves the region.
2. A sales and use tax exemption helps everyone -- including low to moderate income Vermonters - to lower their annual fuel costs and access renewable heating.
3. To reach our State climate and renewable energy commitments, we need at least 40,000 advanced wood heat units installed. We currently have 480.
4. With over 75% of Vermont being forested, advanced wood heat is a critical part of our working landscape - keeping our forests viable and sustainably managed.

Attached, please find a fact sheet highlighting how advanced wood heat helps our economy and working landscape; a sign on letter showing the support from 38 non-profits and local businesses; and a formal fiscal assessment showing the benefits to Vermont's economy.

If you have any questions, please don't hesitate to reach out. Thank you for your commitment to Vermont's economy, and for your diligent work.

Sincerely,

A handwritten signature in blue ink that reads "Ansley Bloomer".

Ansley Bloomer
Assistant Director
Renewable Energy Vermont

WOOD IS GOOD



Proven Reliability:

377
Residential systems
installed

162
Commercial/institutional
systems installed¹

1500 jobs² & **1**
Pellet mill in the State
of Vermont (1 expected
in 2018)



- ✓ Local wood for heating keeps energy dollars local
- ✓ Supports jobs for neighbors
- ✓ Reduces carbon emissions
- ✓ Keeps forests viable and sustainably managed
- ✓ Fuel price stability and long term savings

Help Vermonters grow their energy independence:

- Implement a state sales tax exemption on the purchase of advanced wood heating equipment and fuel (H.357; S.276).
- Maintain funding for the Clean Energy Development Fund and Working Lands and streamline financing and incentives.
- Increase the number of HVAC installers that can install and maintain advanced wood systems.

Achieving **35%** of
Vermont's thermal
heating needs through
increased advanced
wood heating by
2030:

Will displace **40** million
gallons of fossil fuel
(at \$3.00 a gallon is
\$120,000,000
saved a year).

For every **1,500** tons
of pellet mill capacity,
1 new full time job is
created
580 new jobs in
Vermont.³

Measurable
progress towards
90% total
renewable energy
and **75%** climate
pollution reduction.

“Wood fuel is an affordable option that stimulates the economy by supporting local businesses.”

Governor Phil Scott



Creates jobs in forestry, logging, pellet manufacturing and trucking.



\$.78 cents of every dollar we spend on imported fossil fuels leaves the region.



Instead of sending **\$131 million** out of state every year on heating oil, delivery, and jobs, we will be reinvesting **\$70 million** annually back into our local economy with local jobs and local fuel sources.⁴

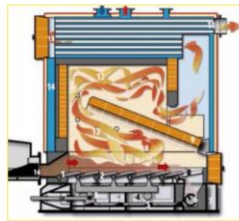
What is Advanced Wood Heat?



Cordwood system



Pellet system



Woodchip system

Advanced wood heating:

- 1) Utilizes highly efficient combustion technology
- 2) EPA certified negligible emissions
- 3) Supports healthy forest ecosystems
- 4) Utilizes local wood

Who We Are:

Biomass Energy Resource Center
 Bourne's Energy
 Calfee Woodland Management LLC
 Cutting Edge Energy Systems
 Forward Thinking Consultants LLC
 Gagnon Lumber
 Green Mountain Club
 Hardwood Forestry Services, Inc.
 Housing Vermont
 Innovative Natural Resource Solutions LLC
 LandVest Timberland
 Long Meadow Resource Management LLC
 Lyme Green Heat Inc.
 New England Wood Pellet LLC
 North Woods Forestry
 Northern Forest Center
 Maine Energy Systems
 Meadowsend Timberlands, LTD

Pellergy
 Renewable Energy Vermont
 Sunwood Biomass
 Tarm Biomass
 USDA Forest Service
 Vermont Agency of Commerce & Community Development
 Vermont Conservation Voters
 Vermont Department of Buildings & General Services
 Vermont Department of Forests Parks & Recreation
 Vermont Energy Investment Co.
 Vermont Natural Resources Council
 Vermont Renewable Fuels
 Vermont Sustainable Jobs Fund
 Vermont Woodlands Association
 Watson Research



¹ Vermont Department of Public Service Wood Heating Baseline Report

²Vermont Department of Public Service Vermont Clean Energy Industry Report

³Biomass Energy Resource Center analysis

⁴Biomass Energy Resource Center analysis using EIA and regional fuel price 2016 data

Fiscal Impact of Sales Tax Exemption for Advanced Wood Heat Boilers January 11, 2018

House Bill 357 proposes to exempt the sale of advanced wood heat boilers from the Vermont Sales and Use Tax. The result of its passage will be a reduction in the sales tax receipts for the State of Vermont.

Advanced wood heat boilers are available for incentive payments from both Efficiency Vermont and the Clean Energy Development Fund. As a result, we have a very good estimate of the number of these units that are sold in Vermont. There are two categories of boilers for consideration in this analysis; boilers for single unit homes and larger boilers for commercial or multi unit living quarters. In 2016, the Clean Energy Development Fund provided incentive payments for 31 units and and 36 units in 2017 (this data does not differentiate between smaller single unit systems and larger systems). Efficiency Vermont provided incentive payments for 20 residential and 4 commercial units. Installations are eligible for both incentives so the total number of installations is not the sum of these numbers.

The average cost for a residential unit is \$15,000 and the average cost for a commercial unit is \$100,000. If we assume for out years that the sales tax exemption is applied to 50 residential units and 5 commercial units, The sales tax on these purchases amounts to \$75,000. Therefore, an estimate of the **reduced sales tax paid to the State of Vermont is \$75,000.**

Advanced wood heat boilers reflect a decision by building owners to eliminate the use of fuel oil, propane or natural gas. Therefore, the result of an advanced wood heat boiler is to stop the purchase of out of state fuels and commit to long term purchases of more locally produced wood pellet fuels. **The economic activity to produce and distribute wood pellet fuels provides an economic benefit to the region that compensates for a portion of the lost revenue to the State of Vermont.** The specific benefit is based on the proportion of wood pellet fuels that are produced in Vermont. The 50 residential and 5 commercial wood pellet boilers will require approximately 350 tons of wood pellets per year costing approximately \$80-100,000 per year. A 15 year life expectancy for each boiler results in life cycle purchases from each year's boiler purchases of \$1.2 - \$1.5 million of wood pellets.

Building a market for wood pellets is a critical factor that will sustain and grow Vermont's wood pellet manufacturing sector and the related forestry sector that is under stress due to recent closures of pulp mills.

Prepared by ACCD, Ken Jones, kenneth.jones@vermont.gov

Bob the Green Guy * Caluwe Biomass Heat and Power Solutions * Cutting Edge Energy Systems * Dewey + Associates, Architects and Planners * Downstreet Housing & Community Development * Energy Co-op of Vermont * Hickory Street Apartments * Innovative Natural Resource Solutions LLC * Forward Thinking Consultants LLC * Gagnon Lumber * Lamoille Housing Partnership * Lignetics of New England, Inc. * Long Meadow Resource Management LLC * Maine Energy Systems * Maple Street Senior Apartments * Northeastern Vermont Development Association * Pellergy * Renewable Energy Vermont * Richard Green Trucking * River Station Apartments * Rutland Housing Authority * South Main Apartments * SunWood Biomass * Sustainable Heating Outreach & Education Inc. * Tarm Biomass * Vermont Artisan Coffee * Vermont Businesses for Social Responsibility * Vermont Conservation Voters * Vermont Forest Products Association * Vermont Interfaith Power & Light * Vermont Natural Resources Council * Vermont Public Interest Group * Vermont Sustainable Jobs Fund * Vermont Wood Pellet * Vermont Woodlands Association * Vermont Wood Works Council * Watson Research

Dear Vermont Officials:

Advanced wood heating supports our rural economy, working landscape, and commitments to climate pollution reductions all while stabilizing and lowering energy costs for Vermonters. It is with this in mind that we urge you to support Vermonters' access sustainable local heating by:

- Implementing a state sales tax exemption on the purchase of advanced wood heating equipment and fuel;
- Maintaining funding for the Clean Energy Development and Working Lands Funds and streamline financing and incentives; and
- Increasing the number of HVAC installers that can install and maintain advanced wood systems.

Taking these steps now will serve as lasting investments in Vermont and support the continuation of Vermont's long, proud history of a forestry sector which keeps energy dollars local, supports jobs for our neighbors, and keeps forests viable and sustainably managed. By utilizing renewable resources within our borders, we can forgo sending \$131 million out of state every year on heating oil and instead invest \$70 million annually back into our local economy.

As businesses and organizations whom use or support advanced wood heating, and are committed to growing the state's economy, we urge you to strongly consider taking these small steps which will have a substantial positive effect on future Vermonters.

Sincerely,

Wood Heat Supporters