



Committee on Ways and Means
U.S. House of Representatives
Hearing on Energy Tax Incentives Driving the Green Job Economy
April 14, 2010

Domtar Corporation appreciates the opportunity to provide input to the committee on efforts Congress may take to promote green energy, job creation and investment in America.

Domtar Corporation (NYSE/TSX:UFS) is the largest integrated manufacturer and marketer of uncoated freesheet paper in North America and the second largest in the world based on production capacity, and is also a manufacturer of papergrade, fluff and specialty pulp. The Company designs, manufactures, markets and distributes a wide range of business, commercial printing and publication as well as converting and specialty papers including recognized brands such as Cougar®, Lynx® Opaque, Husky® Offset, First Choice® and Domtar EarthChoice® Office Paper, part of a family of environmentally and socially responsible papers. Domtar owns and operates Domtar Distribution Group, an extensive network of strategically located paper distribution facilities. Domtar also produces lumber and other specialty and industrial wood products. We operate 13 pulp and paper mills (nine in the United States and four in Canada) and employ more than 10,000 people.

Domtar is a leader in the generation and consumption of renewable energy. As a company, we fulfill over 70 percent of our power needs from burning carbon neutral wood pulping residuals and other forms of biomass. This is power that would otherwise have to be sourced from the electrical grid. Our company's manufacturing processes are also extremely efficient. The combined heat and power systems deployed at our mills allow us to operate at levels exceeding 65 percent efficiency. We do so by capturing the heat from our industrial processes and utilizing that thermal energy in other applications—space heating and drying or steam generation. Thermal efficiency has huge potential for helping address our nation's energy needs. A little known fact is that heat is captured and utilized in only 9 percent of power generation applications worldwide. If that percentage were to increase only 3 points, it would equal the total annual worldwide production of wind energy.

That is why Domtar strongly supports the Green Energy Paper Manufacturing Act of 2009 (H.R. 4389) sponsored by Representatives Scott Murphy, Michael Michaud, Steve Kagen and Phil Roe. The bill would provide a tax credit based on thermal energy output and cap the total per facility benefit to \$25 million annually. Importantly, the bill pairs the tax credit with a reinvestment component requiring half the proceeds from the refundable credit to be reinvested in the facility. Domtar believes that policy recognition of thermal energy benefits and this bill's reinvestment requirement will help us to continue to improve our processes, continue to innovate and protect the excellent paying jobs that our company supports.

The company and our 10, 000 employees stand ready to work with the committee as it begins to craft new energy tax policy that delivers on the twin benefits of reducing foreign energy dependence through the use of green, renewable fuels, while shoring up manufacturing jobs that are the backbone rural communities and small towns across the country.

For more information about the Green Energy Paper Manufacturing Act of 2009, please contact Tom Howard, Vice President, Government Relations for Domtar

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