

Time to strike for Swedish companies when the U.S. opens for new energy

19 March 2019 from Dagens Industrier

WASHINGTON.

After decades of slow moving and tough regulations, the American forest industry is starting to move. The politicians signal a desire to increase the use of biomass from trees in the energy mix. "Now there are opportunities for Scandinavian forest companies," says one of the experts to Di. About 70 percent of Sweden's total area consists of forest. The corresponding share in the US is 34 percent.

Given the size of the United States, this is a vast mass of forest.

But in spite of this, the Americans rarely use the forest for energy. Currently, biomass from trees represents about 2 percent of the U.S. energy mix. However, there are signs that change is underway. This may mean business opportunities for Scandinavian forest companies.

At least this is what Doug Faulkner believes and tells Di in Washington, DC. He has spent a lot of time during his career working with rural development and renewable energy in the federal government, including senior positions within the U.S. Department of Energy.

"The forest has been a frozen political issue for decades. The Americans have been stuck in the notion that it is bad to harvest or even touch the forest at all" he says. However, he believes that the extensive forest fires in California last fall served as an eye-opener for many, including President Trump. A total of 85 people was killed, and the material destruction was enormous. "People have begun to realize that there must be other ways for how we handle the forest. We have a lot to learn from the people in Scandinavia."

Because of his long-standing interest in how Sweden works with green technology in energy, Doug Faulkner joined the board of the Swedish-American Chamber of Commerce in Washington D.C. already in 2012. "Here the regulations have choked the companies that tried. Today, for example, there are only five ongoing projects in the USA and Canada that produce biofuels from trees."

But now there is work underway to ease the tough regulations in the U.S. An independent advisory committee to the U.S. Secretaries of Agriculture and of Energy on bioenergy has designated 2019 as "The Year of the Tree".

All of its four meetings this year will be devoted to how to increase the amount of energy from the forest, the production of biofuels and how wood can replace petroleum in other types of products, such as plastic.

Doug Faulkner is currently one of the two chairmen of the committee.

Things have also started moving on the political level. This spring, the Congress adopted a law that highlighted the importance of the forest sector to produce energy. During the autumn, the heads of the Environmental Protection Agency, and the Departments of Agriculture and Energy responded to the Congress with a letter giving their full support.

It stated, among other things, "The use of the forest can provide several environmental, social and economic benefits to our societies, and at the same time help to make the US self-sufficient in energy and to create jobs"

They concluded the letter by stating that biomass should play a "key role in covering the energy needs of the US".

However, given the current political dynamics in the US, it should not come as a surprise that the Trump administration is interested in keeping the rural population happy. Areas with a lot of forest generally voted on Donald Trump 2016. In addition, deregulations have been a popular theme for the White House, both in the financial sector and in the environmental area.

Donald Trump himself has also shown interest in the forest. When the forest fires in California crashed in October, he wrote the following on twitter:

"With proper forest management, we can put an end to the destruction that is constantly happening in California. Be smart!"

He also issued an executive order aimed to improve forest conditions and the opportunities to avoid fires.

What argues against that? According to Doug Faulkner, it is partly because interest in bioenergy has dropped with the revolution in fracking and shale oil/gas revolution. The United States is today the world's largest natural gas and oil producer.

"But it will come back. After all, energy is a cyclical phenomenon and one must think long-term. I have always seen biofuels as the ultimate energy insurance, given that it is a domestic and sustainable resource", he says.

Various environmental organizations also help to maintain the Americans' notion of the forest as sacred. He talks about groups that talk about logging as "raping a landscape".

Although competition from North American forest companies is likely to be tough, Faulkner believes that Scandinavian companies could play an important role.

"It is important to proceed carefully when explaining to the public why trees need to be felled and how jobs can be created, since it is such an emotional phenomenon. Scandinavian companies could lead by example".

Swedish-Finnish Stora Enso STE R + 1.22% is one of the companies that follow the development with enthusiasm.

"Of course it is interesting that the American administration is thinking about how they can do more about the forest bio-economy," Daniel Badman writes, Public Affairs Manager, in an email to Di.

"We are currently looking at the layout of the "Tree of the Year" but have not yet made any decisions about our commitment."

What the year will result in remains to be seen.

"This type of change takes time, and one has to take one small step at a time," says Doug Faulkner.