TO: **California Air Resources Board**
FROM: **Phill Guay, Columbia Forest Products**
SUBJECT: **Supplemental Comments on Proposed ATCM for Reducing Formaldehyde in Composite Wood Products**

The following comments are offered as a supplement to comments submitted by Columbia Forest Products ["CFP"] on April 19, 2007. Our previous submittals provide evidence to support the Staff Report on the existence and performance of alternative resins that would provide the composite wood industry with a wide variety of low and no-formaldehyde emitting options to satisfy the standards and implementation timeline proposed by the CARB staff. However, some of the flawed assertions, misrepresentations and outright falsehoods contained in the CWIC submittal dated April 23, 2007, require an immediate response.

Obviously the issue before CARB is more significant that the claims or counterclaims of any composite wood manufacturer or any trade organization – when we first began discussions with CARB staff 18 months ago, we had hoped everyone in the composite wood industry would rise to the challenge and do everything they could to reduce or eliminate this known carcinogen. Of course many have. But since the trade organization established to fight these proposed progressive rules has chosen to avoid the real issues and use this forum to launch an unfounded and unsubstantiated attack on the integrity of Columbia Forest Products' soy-based product [pages 17-19 of CWIC submittal], we need to set the record straight with the facts. The content and nature of the CWIC submittal about our products are so wrong; they cast serious doubt upon the credibility of anything CWIC has submitted to CARB.

The comments in the CWIC document about Columbia Forest Products are troubling on several levels. First, many of the comments are simply false. The CWIC has no insider knowledge about our cost structure, research and development strategy, costs of plant conversion or actual product mix we sell in the marketplace. Importantly, the CWIC grossly misrepresents our intentions in relationship to the CARB rule-making process. Since the initial contact by CARB staff to us, Columbia Forest Products has been forthcoming in sharing information and insights about the part of the composite wood industry in which we operate. We have shared proprietary information and responded to numerous requests by your staff – most recently providing a tour of plant facilities as part of a CARB fact-finding tour in Oregon. As expected, the CARB proposed rule has evolved into an achievable, market-competitive regulation. Nothing in the proposed rule would give Columbia Forest Products monopoly control. The Staff Report does acknowledge that soy-based adhesive innovation provides the industry with one important technology, among many, that could result in lower formaldehyde emissions in California. Interestingly enough, everyone in our industry was there when Dr. Kaichang Li presented this innovative technological breakthrough – and everyone, but us, turned away from the opportunity to move down this new and healthy path.

Since then, several alternative resins have been developed and numerous low- and no-formaldehyde emitting products have been brought to market. That's a good thing. And to encourage the movement away from a reliance on a known carcinogen, formaldehyde, our company has worked with Hercules to offer access to the soy-based adhesive to any manufacturer in North America at a competitive price – and we are happy to report that we are currently in discussion with several industry colleagues who see this as the wave of the future. CWIC knows this to be true, but they chose to mislead you in their written testimony.

Following is some additional information which specifically addresses the comments in the CWIC document referenced above.

Operating costs:

- Current applied adhesive costs are 10-20% lower than our previously used UF adhesive.
- Spread rates are identical to UF resins. CWIC's assertion to the contrary is simply false.

- Press throughput times are the same as with UF. In certain cases up to 20% faster than UF. CWIC's assertion to the contrary is simply false.
- Bottom line is that running soy based resin is in fact less expensive from an ongoing operating perspective. Using UF adhesive today would in fact impart an additional unwanted financial burden.

Capital costs:

- New storage and handling systems were put in because of our phase-in approach over the last two years. For the phase-in we had the ability to do both UF and soy-based adhesives, which caused us to install some duplicate equipment and add cost. That was our own choice in implementation. Any manufacturer that uses the soy adhesive can minimize equipment costs unless they chose to have both soy and UF capabilities. In that case separate equipment will be necessary to avoid mixing the two resins in production.
- Because of the investment in the early research and development phases of the project, initial capital was high but nowhere near $1 million. Those initial phases over the past several years were more research and development than production. The latest generation pre-engineered systems are much lower cost and are quite simple to install and operate. We are in discussion with several plywood and particle board manufacturer to use the newer systems.
- While some were considered, in the end no significant modifications to our glue spreaders were deemed necessary, nor were they replaced as the CWIC comments assert. CWIC's assertion to the contrary is simply false.
- Because of clean air implications of soy-based adhesive, our plants have lowered costs for air pollution control equipment.

Performance:

- The higher level of moisture in the adhesive has had no negative affect on the stability of the finished panels. In fact, the final panel moisture content is now closer to the EMC (Equilibrium Moisture Content) that the panels will be exposed to in the typical finished product environment.
- The test results of bond quality and water resistance have all met or exceeded that which we attained with UF resin.
- **These test results from Oregon State University are being submitted to CARB in a separate document for your review**

Other items:

- There is absolutely no volume benchmarks associated with our current agreements with Hercules, the resin provider. CWIC's assertion to the contrary is simply false.
- The CWIC report stated we are "unable to produce commercial quantities of particleboard using the soy technology." To the contrary, we are regularly moving railcar quantities of particleboard from our single particleboard mill in Canada to our hardwood plywood mills and customers throughout North America.
- **Several distributors and end users of those products will testify at the Board meeting Thursday about their satisfaction with the performance of our products.**

We take the CARB rulemaking process seriously and have taken pains to submit truthful information and insights so that you can make the right judgments for Californians. We also take seriously any attack on the integrity of our product – and that's the reason for this supplemental submission.

Thank You