



Oregon Small Woodlands Association

HB 2020 Recommendations to Joint Committee on Carbon Reduction

April 7, 2019

My name is Jim James. I am the Executive Director of Oregon Small Woodlands Association (OSWA), an organization that represents the interests of Oregon's family forest owners. This testimony on HB 2020, dated April 7th, is consistent with our March 1st testimony when we listed items OSWA feels needs to be included in a successful bill meeting what we see as the intent of this legislation. With the many amendments already suggested and those being evaluated OSWA adds testify as follows:

Process: It appears that many HB 2020 deals are being made behind closed doors and when announced they are missing the rationale for the direction of the bill. This lacks transparency and if the bill is to get public support it must be clear how and why the final bill was developed with the rationale for each amendment. Also, needed is the rationale for the many financial winners and losers in the bill.

The role of forestry: To be successful HB 2020 must recognize the actions already in process that will continually sequester carbon without any interference from new regulations. The growing and harvesting of trees in Oregon's forests is already a carbon success story under current land use and forest practices laws. HB 2020 should do nothing to interrupt this success story nor should it create challenges for those who already make a major contribution to carbon sequestration. The first three bullets in OSWA's March 1st testimony addresses this point with rationale on pages 3 and 4.

HB 2020 must include a fuel tax credit for all forestry related activities including transporting wood fiber to be used to make wood products and adopt measures to alleviate natural gas price increases for those who make products that already sequester carbon in wood products. See rationale on pages 3 and 4.

OSWA is encouraged with the amendment that would allocate 40% of the revenue collected from HB 2020 to be allocated to investing in carbon sequestration on working lands in Oregon. HB 2020 should develop voluntary incentive and offset programs that encourage forest owners to do things that sequester carbon such as afforestation, avoiding forest conversion to other uses, emphasize urban forestry, and carbon focused forest management. These programs must be designed to allow forest owners of any size to voluntarily participate. This amendment recognizes that working lands can add to carbon sequestration through voluntary measures, not economically feasible today, but could be with financial assistance. However, many of these projects will be small and there needs to be a way to collectively take advantage of many smaller players that can work together to make a difference. See rationale on pages 4, 5, and 6.

HB 2020 Revenue Expenditures – The above amendment to address how revenues are spent has a clear connection to additional carbon being sequestered. It is imperative that all authorized revenues spent through HB 2020 also have that same clear connection to the goals of HB 2020 as the revenues spent on Working Lands to sequester carbon. Every Oregonian will end up paying for HB 2020 with their increased energy and other costs. However, HB 2020 must make exceptions for those who would currently contribute to carbon sequestration, but will be burdened by additional costs that will limit their ability to continue those efforts. A fuel tax credit for all forestry related activities including transporting wood fiber to be used to make wood products and adopting measures to alleviate natural gas prices for facilities that sequester carbon in their products makes good sense and are consistent with the goals of HB 2020. However, funding social programs that have no direct connection to sequestering more carbon can be an inappropriate use of HB 2020 revenues. OSWA requests HB 2020 be clear and transparent on why allocated revenue expenditures are included in the bill and make sure the rationale is appropriate with the intent of HB 2020.

Governance of HB 2020 Regulations: All forestry related actions in HB 2020 must be overseen by the Department of Forestry in their entirety. All ODF activities are overseen by the Board of Forestry, appointed by the governor and approved by the Senate. This provides a connection to elected officials for control and oversight. OSWA is dismayed that the Environmental Justice Task Force continues to play an administrative role in HB 2020, as written. This is absurd. No way does the current makeup of this organization meet any of the requirements legally required for participants in any other regulatory organization in Oregon. It will be a scam if the Environmental Justice Task Force continues to play such an important role in how HB 2020 is implemented. OSWA requests they be dropped immediately and these responsibilities be conducted by organizations that already exist, or a new organization that meets all the existing legal requirements as all other regulatory agencies existing in Oregon.

OSWA's March 1, 2019 testimony on HB 2020 that follows is still valid today.

Oregon Small Woodlands Association (OSWA) has no position on HB 2020. However, if HB 2020 becomes law, there are many changes it will need to make to be successful in meeting its goals in Oregon.

- All Oregon forestry and wood product operations must be recognized in HB 2020 as being carbon neutral and must be safeguarded against any actions that would disrupt their already positive carbon sequestration story.
- Any facility using wood fiber to make a product that stores carbon should be added to the list of EITE industries as defined in Section 18 of HB 2020. The bill should reward industries who find more and better ways to sequester carbon in their products and adopt measures to alleviate natural gas price increases for businesses that sequester carbon in their products.
- HB 2020 should include a fuel tax credit for all forestry related activities including transporting wood fiber to be used to make wood products.

- HB 2020 should develop voluntary Incentive and offset programs that encourage forest owners to do things that sequester carbon such as afforestation, avoiding forest conversion to other uses, emphasize urban forestry, and carbon focused forest management. These programs must be designed to allow forest owners of any size to voluntarily participate.
- All forestry related elements of HB 2020 must be coordinated by the Oregon Department of Forestry.
- Transparency of who administers HB 2020 must be credible. Decision makers should have oversight by parties who answer to the public either as an elected official or authorized through an elected official process. The authority given to the Environmental Justice Task Force in HB 2020 lacks transparency.

We strongly recommend HB 2020 address and include provisions to make the practice of forestry and the wood products industry carbon neutral, for a fuel tax credit for all forestry related activities, develop credible incentive and offset programs, there be transparency in HB 2020 administration, and credible public education be included.

All Oregon forestry and wood product operations must be recognized in HB 2020 as being carbon neutral

HB 2020 must recognize that Oregon’s forests and the wood products industry they support already make a significant contribution in sequestering carbon in the wood products produced and by continually storing carbon in the wood fiber grown every year. Through the growing and harvesting of trees, there is a constant flow of new carbon storing units (wood products) produced and used as well as a constant renewal of carbon in the forest. Oregon’s land use laws and Forest Practices Act set up a scenario where Oregon’s forests and its wood products industry will continue to be major factor in carbon sequestration. Over 50% of all the carbon generated by Oregonians each year is sequestered in Oregon’s forests. HB 2020 should be careful not to disrupt this already successful story related to carbon.

Add all facilities manufacturing wood products to the Emissions-Intensive, Trade Exposed (EITE) Processes list

Any facility using wood fiber to make a product that stores carbon should be added to the list of EITE industries as defined in Section 18 of HB 2020. Oregon wood products are sold and distributed nationwide, and if such an allowance is not provided, it will detrimentally affect not only these industries, but the small woodland owner who provides some of the raw material for those products. Oregon is the premier place to grow and harvest trees, make carbon storing wood products, and replenish the carbon stocks in our forests. Wood products play an important role in affordable housing.

The legislature should also develop policy to continue to increase added-value markets for Oregon’s manufactured timber products (e.g. glue-laminated products, joists, trusses; cross-laminated timber; and mass plywood panels). Long-lived commercial and industrial buildings will also store carbon for a century or more. The design and

construction of taller wood buildings with a presumed longer service life given their size and importance than historically allowed four to five stories as limited by fire risk concerns is slowly gaining acceptance. This will help to make a carbon product, wood, more competitive with steel and reinforced concrete construction. Additionally, forest products taken from forestlands under a carbon sequestration program should be certified as such, similar to some wood products harvested with currently-defined sustainable forestry practices.

The price increases HB 2020 will have on natural gas is a concern of our members. Many wood manufacturing plants rely on natural gas or propane to process raw products. It is estimated that small commercial natural gas rates will increase 13% in 2021, reaching a 44% increase midway through the program. These costs must be curbed if Oregon wants a thriving wood products sector. We urge the Committee to adopt measures to alleviate natural gas price increases under HB 2020.

Include a fuel tax credit for all forestry related activities including transporting wood fiber to be used to make wood products

We are disappointed to see that HB 2020 includes off road fuels (dyed diesel) under the carbon cap. This will increase fuel costs for loggers and woodland owner families by thousands of dollars each year, beginning in the first year of the program. Forest management costs and the wood products commodity market would be challenged to absorb these new costs. A likely outcome would be conversions of forests to other uses, fewer wood products being produced in Oregon, wood product use being replaced with substitutes from outside Oregon that require considerably more energy to produce while not storing any carbon, and disrupting Oregon's positive carbon sequestration story.

Oregon Small Woodland Association would also like to point out that dyed diesel is only part of the equation for woodland owners. ORS 805.300 to 805.410 provides farmers and ranchers with farm vehicle registration, but the use of dyed diesel is not allowed in these vehicles as they can be used on public highways. In addition, there is no similar statutes for woodland owners. OSWA requests that a similar provision be added to this bill so that woodland owners and loggers have a mechanism to have an exemption for all fuels used in their businesses. In order to truly exempt woodland owners, loggers, farms and ranches from a cap-and-trade system, the on-road fuel used in these vehicles must also be exempt from the cap in any version of the bill going forward.

Incentive and Offset Programs

We believe private forestland owners can add important contributions to climate change mitigation. Thus, we support programs that incentivize small family forestland owners to implement climate-friendly forest management actions on their properties across Oregon. Over 43% of the private forestland in Oregon is owned by small family forest owners. We also support a forest carbon offset and incentive programs that are simple and affordable for small family forestland owners. Incentive and offset programs should be designed to be complementary and reinforcing within the overall strategy for mitigating climate change. In this process, all Oregon forestry and wood product operations must be initially recognized as being carbon neutral and must be

safeguarded against any actions that would disrupt Oregon's already positive carbon sequestration story.

Because of the size of small forestland owner's properties, incentives probably provide a greater opportunity than offsets, however offsets should be designed to allow small forest owners an opportunity to participate. The Oregon Department of Forestry (ODF) already has experience in programs that incentivize forest owners. HB 2020 should direct the Oregon Department of Forestry to identify and evaluate ways to improve coordination of federal, state, and local programs designed to incentivize private forest landowners across the state to enhance implementation of forest management actions that benefit carbon storage and sequestration. HB 2020 should also designate the Oregon Department of Forestry as the state agency responsible for developing rules and protocols to implement a forest carbon offset program, under the oversight of the Carbon Policy Office. ODF should be directed to contract with qualified third- parties to develop forest offset protocols.

These programs should rely on existing Oregon forest practice rules, with additional environmental safeguards, such as independent third-party certification, required to be customized for each of Oregon's major forest types and relevant to land ownership type, as well as scale, scope, and intensity of management activities.

Incentive Program – OSWA Recommends:

- Creating an Oregon Climate Investments Fund that directs at minimum twenty percent of allowance auction proceeds be allocated to incentivize climate-friendly projects, programs or activities that represent investments in natural and working lands focused on practices know to have a carbon positive impact, such as thinning overstocked fire-prone stands and planting trees.
- Directing the Carbon Policy Office to disperse allowance auction proceeds through competitive block grants directed at not-for-profit (NGO) and quasi-governmental organizations to match public funds with corporate and foundation funds. This will ensure effective and efficient deployment and use of funds to implement voluntary climate-friendly forest management actions on private forestland across Oregon.

Offset Program – OSWA Recommends:

HB 2020 should have in the legislative language, a set of principles to guide the development of an offset program and offset protocols. We support the guiding principles offered in testimony on HB 2020 by the American Forest Foundation. Such as:

- Allowing entity's use of offsets to meet eight percent of their compliance obligation.
- Including small family forestland owners in the development and review of forest offset protocols, as well as experienced carbon project developers and verifiers due to the highly technical nature of protocols.

- Including provisions for aggregating forest landowners in forest offset protocols, to ensure small family forest ownerships are not excluded from participation, as is the case in California's forest offset protocol. Aggregation should be defined to include, as a minimum, two or more private landowners.
- Using an Environmental Integrity Account buffer to hold up to three percent of offsets issued from each project to insure against offset invalidation.
- Relying on accredited verification bodies and independent registries to review each project prior to issuing credits, rather than the state completing a review of each project, to ensure a timely, credible, and cost-effective review process.
- Establishing a process and schedule for updating forest offset protocols to improve efficiencies and reduce transaction costs.
- Designing voluntary forest offset protocols that:
 - Allow minor project boundary modifications (to allow for parcel exchange and/or sale), so long as carbon stocks are maintained over the project period.
 - Rely on inventory methods commonly used by forest landowners for making management decisions and/or relied upon financial institutions and investors for transacting forestland parcels.
 - Allow, after the initial verification, the use of remote sensing techniques to verify changes in carbon stocks, in lieu of on-the-ground field examination.
 - Offer flexibility of timing requirements for monitoring and reporting based on the project type and risk profile.
 - Evaluate permanence and additionality requirements to ensure there is a balance between program offset integrity and the importance of reducing atmospheric CO₂e in the near-term. A 100-year permanence requirement is a momentous barrier to private landowner participation, especially to small family forestland owners. It appears 100 years is an arbitrary number. In regard to a forest's contribution to sequestering carbon, there are many factors that will influence that number such as growing site, rainfall, tree species, and a tree species age when it reaches its mean annual increment, when tree growth slows and starts to decline. A tree's mean annual increment is significantly less than 100 years.

HB 2020 Oversight Authority

HB 2020 should have oversight by parties who answer to the public either as an elected official or authorized by elected officials. The Environment Justice Task Force is given a lot of authority in HB 2020, yet the Environmental Justice Task Force, by its design,

does not meet these important criteria. It is not balanced and does not have the structure and expertise to qualify it for such oversight authority.

Stakeholder Advisory Committees could play an important role in implementing HB 2020. On all forestry and wood products related issues, it is imperative that a stakeholder advisory committee be developed and it must have representatives of small forestland owners, large forestland owners, wood products manufacturers, and other stakeholders relevant to HB 2020's programs being implemented.

A handwritten signature in cursive script that reads "Jim James".

Jim James
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Oregon Small Woodlands Association