Growing Forest Clusters in Western Oregon

Gary Lettman
Why is this initiative important?
Important to Act Soon

- At what point does the industry become unimportant from an economic and policy perspective?
- Working on state revenue forecast, the question asked is how do changes in housing starts affect the construction industry, not the timber industry
Talk About

- Indicators/Metrics of Situation
- Ongoing Efforts
- Mostly western Oregon; not much left in eastern Oregon (but important)
- Solicit ideas/participation
Metrics
CAUTION

THIS SIGN HAS SHARP EDGES
DO NOT TOUCH THE EDGES OF THIS SIGN

ALSO, THE BRIDGE IS OUT AHEAD
Housing Related Sectors Feel the Effects

(1st Quarter 2008)

- Health Services: 10%
- Prof. & Bus. Services: 10%
- Retail Trade: 5%
- Leisure & Hospitality: 0%
- Public Education: 0%
- T/W/Util: -5%
- Wood Products: -10%
- Construction: -15%

Newly Expanding
- Metals & Machinery
- Food
- Wholesale Trade
- Prof. & Bus. Services
- Govt excl Education
- Information
- Educational Services

Expanding
- Leisure & Hospitality
- Information
- Educational Services

Newly Slowing
- Electronics
- Wood Products
- Transportation Equipment
- Contracting
Forest-Related Private Employment Declines Have Occurred in Rural Forest-Dependent Areas
Wood Products Industry Employment
(Annual Percentage Change)
Important but Unknown is Up-To-Date Information About

- Investment
- Innovation
No Shortage of Problems. Railroad Examples:

- Central Oregon & Pacific Railroad between Eugene and Coos Bay closed
- Costing just one company, Roseburg Lumber, $167,000 a month additional
- Port of Tillamook Bay Salmonberry Canyon line closed
Ongoing Efforts
No Criticism of Agency Field Folks Intended

But total disorganization in the past
November, 2007 Joint Resolution

- To develop a State of Oregon Forest Cluster Economic Development Strategy
- Agencies involved
  - Oregon Economic and Community Development Department
  - Oregon Department of Forestry
  - Oregon Forest Resources Institute and
  - Oregon State University College of Forestry
- Oregon Forest Cluster Economic Development Strategy Committee Draft recommendations (handout)
Federal Forests: Federal Forestlands Advisory Committee

- 58 percent of Oregon’s forestlands
- Strong direction for state involvement through 2005 SB 1072 and Board of Forestry Forest Vitality Work Plan
  - Stewardship contracting
  - Forest biomass utilization
  - Unified State of Oregon vision for federal forests’ contribution to environmental, economic, and social sustainability
- Immediate action needed in eastern Oregon
- Working on policy options & recommendations
USFS Strategic Assessment

All Ownerships - Oregon
- 16.9 million acres of Treatable Timberland*
- 5.6 million acres of Condition Class 3
- 6.6 million acres of Condition Class 2
- 12.2 million acres of Condition Class 2 and 3

*Treatable land is not high elevation or reserved and within 1.5 miles of roads.

Fire Condition Class in Oregon

Forestland in Condition Class 3
- At high risk of uncharacteristically intense fire

Forestland in Condition Class 2
- At moderate risk of uncharacteristically intense fire
Example Eastside Biomass Treatment: Gerber Stew Stewardship

Pre Treatment Conditions

Chipping Operations

Post Treatment

Source – BLM
Western Oregon Opportunities

- Biomass facilities and markets
- Highly productive forestland
- Mostly private forestland
- Stable timber harvest
- Under-utilized logging slash
- Slash burning is costly and not popular
- Hybrid poplar plantations
OFRI Report - Key Study Findings

- Study analyzed potential biomass supply from fuel reduction treatments across 20 eastern and southern Oregon counties.
- An estimated 4.25 million acres (about 15% of Oregon’s forestland) have the potential to provide forest biomass by thinning of forest stands to reduce risk of uncharacteristic fire.
- Eligible area includes public and private timberland with moderate to high fire risk which is outside of designated roadless areas, wilderness areas, parks and other forestlands where harvesting is excluded. Federal lands make up 71% of potential acres.
- Thinning these acres over 20 years could produce 1.0 million bone dry tons (BDT) per year of woody biomass not including merchantable sawtimber.
Key Federal Actions – recommended in Forest Biomass Work Group Report

1) Congress should fully fund USFS and BLM Biomass Strategic Plans
2) Fund research focusing on conversion of biomass to cellulosic ethanol
3) Fund a cellulosic ethanol commercial demonstration facility in Oregon
4) Expedite Forest Stewardship contracting on Federal lands
5) Fund the existing federal transportation credit for biomass that was authorized by congress
6) Increase federal production tax credit for biomass to that for other renewables and extend length of time for renewal of FPTC.
Key State Actions – recommended in Forest Biomass Work Group Report—Mostly Completed

- Fund a coordinator to facilitate community forums to increase understanding of benefits and consequences of biomass utilization.
- Build on harvesting and research projects that have already been completed and fund new studies to fill in the information gaps.
- Support action that will help coordinate R&D advances in forest biomass utilization with commercial technology development.
- Continue administrative collaboration (under Enrolled Senate Bill 1072 - 2005 session).
- Consider developing/expanding Oregon incentives to off-set capital cost of biomass energy facilities.
2007 Oregon Energy Legislation

Senate Bill 838 - Renewable Portfolio Standard
- Renewable Portfolio Standard (RPS) for electricity
- 25% of Oregon's electricity renewable by 2025

House Bill 2210 - Biofuels Fuels Package
- Tax credit for producers and collectors of biofuel
- Renewable Fuel Standard for biodiesel and ethanol
- Income tax credit for consumer use of biofuel
2007 Oregon Energy Legislation

HB 2210 Woody Biomass

- $10 tax credit per green ton of woody biomass
- Woody biomass from:
  - Nursery, orchard, agricultural, forest or rangeland
  - Prunings, thinning, plantation rotations, log landing or slash
- Must be used for energy production in Oregon
- Mill waste not eligible
- Self-administered business income tax credit
- Retroactive to 1 January 2007
2007 Oregon Energy Legislation

HB 3201 Business Energy Tax Credits

Increase for Renewables

- Credit is 50% of capital cost
- Credit claimed 10% per year for five years
- Equipment for forest recovery of biomass
- Woody biomass boilers and steam turbines
- Expansion of existing equipment
- Manufacturers of biomass recovery or handling
Lots Percolating. Examples:

- U.S. Sen. Ron Wyden’s push to quickly provide salvage timber to local mills
- Oregon Wild “...wants to ensure local mills survive the current economic downturn so the timber industry can perform future thinning and conservation projects on public lands
Lottery Funds Help Build America’s Largest Hardwood Sawmill
Other Examples

- Freres Lumber New Cogeneration Plant
  Selling Electricity on Open Market
Enhancing Innovation in Oregon’s Forest Cluster Proposal

- Proposal to the Oregon Innovation Council’s *Oregon Established Industry* Initiative
- OSU’s Oregon Wood Innovation Center in the Lead
Pre-Proposal

• Three integrated projects – emphasizing the entire value chain:
  A. Developing Comprehensive Silvicultural Technologies through the Center for Intensive Planted-Forest Silviculture
  B. Creation of a Center for Forest Transportation to immediately lower transportation costs.
  C. Developing a Commercialization and Market Research Laboratory
Oregon Forest Cluster Economic Development Strategy Committee is an Open Process Welcoming

- New Participants
- New Ideas