

HOUSE BILL REPORT

E2SHB 2528

As Amended by the Senate

Title: An act relating to recognizing the contributions of the state's forest products sector as part of the state's global climate response.

Brief Description: Recognizing the contributions of the state's forest products sector as part of the state's global climate response.

Sponsors: House Committee on Appropriations (originally sponsored by Representatives Ramos, DeBolt, Chapman, Boehnke, Blake, Fitzgibbon, Tharinger and Santos).

Brief History:

Committee Activity:

Rural Development, Agriculture, & Natural Resources: 1/28/20, 2/4/20 [DPS];
Appropriations: 2/8/20, 2/10/20 [DP2S(w/o sub RDAN)].

Floor Activity:

Passed House: 2/16/20, 95-0.
Senate Amended.
Passed Senate: 3/5/20, 46-3.

Brief Summary of Engrossed Second Substitute Bill

- States the intention of the Legislature to support industry sectors that act as sequesterers of carbon.
- Establishes the Forest and Forest Products Carbon Account (Account) in the custody of the State Treasurer.
- Directs the Department of Natural Resources to use moneys in the Account as grants to private landowners and other organizations for the purpose of advancing the state's carbon sequestration goals.

HOUSE COMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, & NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass.
Signed by 14 members: Representatives Blake, Chair; Shewmake, Vice Chair; Chandler,

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Ranking Minority Member; Dent, Assistant Ranking Minority Member; Chapman, Dye, Fitzgibbon, Kretz, Lekanoff, Orcutt, Pettigrew, Ramos, Schmick and Walsh.

Staff: Robert Hatfield (786-7117).

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Rural Development, Agriculture, & Natural Resources. Signed by 32 members: Representatives Ormsby, Chair; Robinson, 1st Vice Chair; Bergquist, 2nd Vice Chair; Stokesbary, Ranking Minority Member; Rude, Assistant Ranking Minority Member; Caldier, Chandler, Chopp, Cody, Corry, Dolan, Dye, Fitzgibbon, Hansen, Hoff, Hudgins, Kilduff, Kraft, Macri, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Springer, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

Staff: Dan Jones (786-7118).

Background:

In 2008 Washington enacted legislation that set a series of limits on the emission of greenhouse gases within the state. The Department of Ecology is responsible for monitoring and tracking the state's progress toward the emission limits. That legislation also stated the Legislature's intention to maintain Washington's leadership on climate change by taking certain specified actions.

Summary of Engrossed Second Substitute Bill:

The scope of actions that Washington should take in order to continue its leadership on climate change policy is expanded to include maintaining and enhancing the state's ability to continue to sequester carbon through natural and working lands and forest products. The Legislature intends that the state will support industry sectors that act as sequesterers of carbon.

It is stated as the policy of the state to support the complete forest products sector, which includes landowners, mills, bioenergy, pulp and paper, and the related harvesting and transportation infrastructure.

It is also stated as the policy of the state to utilize net flux stock-change carbon accounting land use, land use change, and forestry reporting principles consistent with established reporting guidelines, such as those used by the Intergovernmental Panel on Climate Change and as used in the United States' national greenhouse gas reporting inventories.

Any state carbon programs must support the policies stated in the act and must recognize the forest product industry's contribution to the state's climate response.

The Forest and Forest Products Carbon Account (Account) is created in the custody of the State Treasurer. The Department of Natural Resources (DNR) must use all moneys in the

Account, less reasonable administration costs, as grants to any private landowner or organization that works with private landowners to advance the state's carbon sequestration goals. Allowable grant projects include:

- funding for reforestation of forestlands after a wildfire or other disaster for which the landowner was not responsible;
- funding for afforestation projects to return lands capable of supporting trees to forestlands;
- funding to plant sustainable forested buffers and remove nonnative invasive species along otherwise nonforested fish bearing streams; and
- for urban forest restoration or urban tree planting.

The DNR may also use funds in the Account to conduct an opportunity analysis of land in Washington to determine how many acres of deforested land could be returned to working forests without having decreasing food production.

EFFECT OF SENATE AMENDMENT(S):

The section that would have created the Forest and Forest Products Carbon Account is removed.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony (Rural Development, Agriculture, & Natural Resources):

(In support) Keeping existing forests as forests is the most effective way to combat climate change. This bill incentivizes afforestation, which is the planting of trees on burned-over land. The bill provides an ability to provide a market-based approach to carbon trading. Carbon is another emerging forest product. Taking advantage of carbon trading will become more common place. In New Zealand, carbon markets have created incentives for afforestation, and the same could happen in Washington. Some carbon policies have not worked out so well because they did not have good alignment throughout the supply chain. Trees are worth nothing if they cannot be logged, transported, and milled. Working forests have the biggest impact on reducing carbon. Washington needs to lead the way.

There has been a continual narrative that the forest industry is bad for the environment. There are some who would like to have a carbon policy used to reduce the cutting of trees or to extend rotations, and that cannot be allowed to happen. There needs to be a healthy manufacturing component within the forestry sector. This bill seeks to recognize the contribution of forestry and wood products as part of the state's climate solution. If sequestered carbon, in the form of trees, is left on the landscape, it could burn, it could decompose, and could then turn into a net emitter of carbon. The critical link is to take the carbon from landscape and put it into building materials, then replant trees and start the cycle

over again. The approach in this bill makes rural communities and the forest products sector part of the solution, supports the rural tax base, avoids wildfires, and avoids conversion to other land uses. The bill gives recognition to the forest products industry as part of the solution.

It is important to try to keep the forest products industry together. For the forest products sector to function, it needs to have all of its component pieces: the mill, logging, transport, and the rest. Since the forest products sector is a net carbon sequesterer, it would not be good for the sector to be piecemealed.

This bill creates the Reforestation and Afforestation Account now, with the hope of having the funding conversation later. There is no requirement to plant trees after a wildfire as there is after a harvest, so this helps create an important incentive. Washington should be consistent with the international community in how Washington does carbon accounting.

Many counties receive a portion of their revenue from the forest products industry. Some counties depend on it to maintain basic services for citizens.

Resource lands can be part of the climate change solution in terms of their ability to sequester carbon. Aquatic lands also have the ability to sequester carbon, known as blue carbon.

Growing more trees and using more wood capitalizes on Washington's amazing competitive advantage at being able to grow trees well. In order to grow good saw timber, there needs to be a market for low-value timber. Studies show that a good market for forest products helps with climate adaptation.

This bill looks like ecosystem service payments, which are a great idea, and would be a great placeholder for if and when the state adopts a carbon policy.

Washington has not seen a decline in carbon stocks in over 60 years. Washington and Oregon together produce one-third of lumber and one-third of the plywood in United States, without reducing carbon stocks.

There is a desire to avoid here in Washington what has happened in other states where people outside the industry are trying to change practices inside the industry. The industry has evolved significantly over the last couple of decades; for example, the industry has retooled to focus on smaller logs. Managed forests are more resilient. Washington's forests might become net emitters of carbon because of the emissions associated with wildfires.

(Opposed) None.

(Other) There are objections to the requirement that the Department of Commerce must promote engineered wood products. That directly competes with other construction materials, such as steel.

The key thing is that the state needs to develop a dialogue about valuing carbon sequestration. Getting the policy right at this stage of the conversation is critical. The bill needs more work; there are needed changes to increase clarity and precision. There should

be more recognition of not just working forests but also natural forests when it comes to sequestration.

The bill is a little ahead of its time. Wood products are an important slice of the carbon sequestration pie. It is not a good idea to pick a favorite sector now because there other ways of sequestering carbon, such as blue carbon, natural lands, and agriculture. It is important to make sure there is a way for multiple sectors to thrive. It would be great if the state had a comprehensive carbon sequestration plan. The carbon pricing conversation has been underway for several years, and the forest products sector is an important part of that conversation, but it needs to be a comprehensive conversation. The Department of Natural Resources has a carbon sequestration advisory group underway, and it is important to not hinder that good work. Elsewhere in the Legislature, there is a "buy clean, buy fair" bill, and it is important to make sure that this bill is not siloed from that bill.

It is good to recognize the existing ability of forests to sequester carbon. It is good to have a voluntary grant program; it provides a good mechanism for a limited amount of funds to go toward forest products. There is a lot of posturing in the bill to lay claims about where future funding should go.

Five years ago the state was in a wildfire crisis, and the forest products industry offered a solution. Now, the forest products sector is working on the climate challenge. The forest industry plays a critical role in carbon sequestration concerns. It is important to promote reforestation on state trust lands. The bill excludes state lands from grant funding. State forest lands are 2 million acres, so it is important to change the eligibility for state lands.

Staff Summary of Public Testimony (Appropriations):

(In support) This bill speaks to the carbon benefits of the entire forest products sector. Trees already sequester and store carbon without the need for new technology. There is a federal program related to planting trees that could be a potential revenue source for the account created in the bill in the future. Finished wood products all around us are storing carbon. Passing this bill would be an indication of legislative support for small forest landowners. The bill creates a framework for reducing emissions caused by land conversation and reducing damage from wildfires.

(Opposed) None.

Persons Testifying (Rural Development, Agriculture, & Natural Resources): (In support) Representative Ramos, prime sponsor; Mark Doumit, Washington Forest Protection Association; Jason Spadaro, SDS Lumber and Stevenson Land Company; Court Stanley, Port Blakeley; Edie Sonne-Hall; Jason Callahan, Washington Forest Protection Association; Paul Jewell, Washington State Association of Counties; Jerrold Bonagofsky, Washington Contract Loggers Association; Bill Dewey, Taylor Shellfish Farms; Tom Bugert, Department of Natural Resources; Heath Heikkila, American Forest Resource Council; and Ken Miller and Elaine Oneil, Washington Farm Forestry Association.

(Other) Mo McBroom, The Nature Conservancy; Mark Streuli, Northwest District Council of Ironworkers; Darcy Nonemacher, Washington Environmental Council and Washington

Conservation Voters; Alison Halpern, Washington State Conservation Commission; and Greg Rock, Carbon Washington.

Persons Testifying (Appropriations): Jason Callahan, Washington Forest Protection Association; Bruce Beckett, American Forest Resource Council; and Ken Miller and Elaine O'Neil, Washington Farm Forestry Association.

Persons Signed In To Testify But Not Testifying (Rural Development, Agriculture, & Natural Resources): None.

Persons Signed In To Testify But Not Testifying (Appropriations): None.