

HOUSE BILL REPORT

SHB 2714

As Passed House:
February 16, 2020

Title: An act relating to valuing the carbon in forest riparian easements.

Brief Description: Valuing the carbon in forest riparian easements.

Sponsors: House Committee on Rural Development, Agriculture, & Natural Resources (originally sponsored by Representatives Hoff, Fitzgibbon, Orcutt, Blake, Chapman, Lekanoff, Van Werven, Tharinger and Kretz).

Brief History:

Committee Activity:

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

Floor Activity:

Passed House: 2/16/20, 96-0.

Brief Summary of Substitute Bill

- Requires that any state program that places a value on carbon must recognize and include the value of the carbon stored in forest riparian easements.
- Requires that, for riparian easement applications received after the effective date of the act, the Department of Natural Resources must calculate the amount of carbon stored in the qualifying timber according to established formulas.
- Allows forestland owners, for all existing riparian easements, to market the carbon stored in the easement.
- Provides that if the state develops methods, protocols and markets for valuing carbon, future riparian easements must include the full value of carbon stored in all the qualifying timber, and must allow the landowner to market the value of the carbon separately.

HOUSE COMMITTEE ON RURAL DEVELOPMENT, AGRICULTURE, & NATURAL RESOURCES

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

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, 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 substitute bill by Committee on Rural Development, Agriculture, & Natural Resources be substituted therefor and the substitute bill do pass. Signed by 30 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, Kilduff, Kraft, Mosbrucker, Pettigrew, Pollet, Ryu, Schmick, Senn, Springer, Steele, Sullivan, Sutherland, Tarleton, Tharinger and Ybarra.

Minority Report: Without recommendation. Signed by 2 members: Representatives Hudgins and Macri.

Staff: Dan Jones (786-7118).

Background:

The Forest Riparian Easement Program (FREP) is a program managed by the Small Forest Landowner Office (SFLO) in the Department of Natural Resources (DNR) to acquire 50-year easements along riparian and other sensitive aquatic areas from small forest landowners who are willing to sell or donate easements to the state. The DNR can purchase easements from small forest landowners and hold the easements in the name of the state. Small forest landowners are defined, generally, as landowners who harvest less than an average of 2 million board feet per year. The easements are restrictive only, and allow landowners to engage in activities except as necessary to protect the riparian functions of the habitat for the term of the easement.

The easements are intended to represent 50 percent of the value of the unharvested trees, plus participation compliance costs. Once a contract under the FREP is executed, the DNR is required to reimburse the landowner for the actual costs to establish streamside buffers and timber marking.

The value of the easement is determined by the DNR based on the fair market value of the timber volume covered by the easement. This calculation is made by the DNR after it conducts a timber cruise of the entire proposed easement. The data gathered in the timber cruise is then applied to a stumpage value table to calculate the fair market value. Value is calculated only on qualifying timber.

Qualifying timber must meet all of the following criteria:

- the trees are ones that the owner is required to leave unharvested under fish protection rules or the forest practices rules, or that are made uneconomic to harvest by the forest practices rules;
- the trees are located within or bordering a commercially reasonable harvest unit, or for which an approved forest practices application cannot be obtained because of forest practices rules restrictions; and
- the trees are in certain sensitive areas, including sensitive aquatic areas, channel migration zones, and areas of potentially unstable slopes or landforms.

The DNR must, in the event that the state adopts a climate strategy, share information regarding the carbon sequestration benefits of the FREP, using methods and protocols established in the state climate strategy that attempt to quantify carbon storage or account for carbon emissions.

Summary of Substitute Bill:

Any state program that places a value on carbon must recognize and include the value of the carbon stored in forest riparian easements.

For all future applications for the Forest Riparian Easement Program (FREP) received after the effective date of the bill, the Department of Natural Resources must calculate the amount of carbon stored in the qualifying timber using established formulas.

For all existing riparian easements in the FREP, the landowner may market the carbon stored in the easement.

If the state develops methods, protocols, and markets for valuing carbon, future riparian easements must include the full value of carbon stored in all the qualifying timber or the landowner may market the value of the carbon separately.

A landowner participating in the FREP may not be reimbursed by the state more than once for the same timber or carbon, but reimbursement for both the timber value and the carbon value of qualifying timber is permissible.

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) This bill would be additive to other mechanisms for compensation. More than anything else, the bill would be about recognition; the actual compensation probably would not add up to that much money. This bill provides an opportunity for small forestland owners, if there is ever a value assigned to carbon in a forest, to be able to receive

compensation for that value. Small forestland owners face immense conversion pressure; the University of Washington is currently doing a study to evaluate those pressures. This bill is one small way to support small forestland owners.

(Opposed) None.

(Other) Carbon sequestration is one of several ecosystem services provided by forests. The approach in the bill would also address the disproportionate impact on small forestland owners by the 1999 Forests and Fish law. Implementing the bill would be challenging, since it is unclear how to value the carbon. Also, the Forest Riparian Easement Program is currently underfunded, so the same amount of money would not go as far if the amount of compensation were increased for each owner. The bill may be premature until the work of the Department of Natural Resources Carbon Sequestration Advisory Group is complete.

Staff Summary of Public Testimony (Appropriations):

(In support) The substitute House bill is easier than the House bill for the Department of Natural Resources to implement, which reduced the fiscal note. This bill ensures that small forest landowners get credit for the carbon stored through the Forest Riparian Easement Program (FREP). If the state adopts a carbon policy in the future that includes forests, there will be additional benefits to forest landowners. The benefits to small forest landowners in the bill would help offset the tax burden on land set aside for the FREP and help with forest landowner retention.

(Opposed) None.

Persons Testifying (Rural Development, Agriculture, & Natural Resources): (In support) Representative Hoff, prime sponsor; Elaine Oneil and Ken Miller, Washington Farm Forestry Association; and Greg Rock, Carbon Washington.

(Other) Joe Shramek, Department of Natural Resources Forest Practices Division.

Persons Testifying (Appropriations): Representative Hoff, prime sponsor; Heather Hansen, 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.