Forest Resource Trust Advisory Committee
Meeting Minutes
April 4, 2007

Members Present:

Mike Atkinson, Matt Delaney, Ken Everett, Mike Haasken, Jim Johnson, Patrik Norris, and Sara Vickerman.

Members absent:

John Breese, Douglass Fitting, Rick Fletcher, Mike Heath, Tom Stoops, and Ilene Waldorf.

ODF staff present:

Bernie Bochsler, Mike Cafferata, Jim Cathcart, Linda Price, Steve Vaught.

Agenda Items:

1. Call to Order / Introductions / Welcome Attending Public

2. Review / Approval of January 24, 2007 Meeting Minutes

3. Update on House Bill 2293

   - What's Moving Forward – Amendments to the Bill
   - Moving the "Ecosystem Services" Discussion to Board of Forestry

4. Final Contract Language for Retaining Rights to Carbon Offsets

5. Final Contract Language – Adopted Amended Rules for Stand Establishment Program

6. Progress Report – Stand Establishment Program (Sign-Ups, Projects in Pipeline, Free-to-Grow Certifications)

7. Member Roundtable – Announcements / Information Sharing

8. Other

9. Next Meeting

Meeting:

1. **Call to Order / Introductions / Welcome Attending Public:** Pat Norris, Chairman, called to order the meeting of the Forest Resource Trust Advisory Committee at 11:00 a.m. on April 4, 2007 in the Oregon Department of Forestry's Santiam Room located in Building D, 2600 State Street, Salem, Oregon. There were no members of the public present.

2. **Review / Approval of January 24, 2007 Meeting Minutes:** Matt Delaney said one correction is needed to page 2, agenda item 3, 4th bullet, last sentence, after 15,000 add "acres of". The correction will be made and the revised minutes will replace the minutes on the web site. The committee approved the corrected minutes.

3. **Update on House Bill 2293**: Mike Cafferata, Private Forests Policy Unit Manager reported to this committee:

- A work group was formed after the initial hearing on January 30, 2007 to address certain concerns expressed with the original bill's provisions.
- Mike chaired the work group which included representatives from this committee, as well as Peg Boulay, Oregon Department of Fish and Wildlife, Linc Cannon, Oregon Forest Industries Council, Brent Davies, EcoTrust, Mike Gaudern, Oregon Small Woodlands Association and Gina LaRocco, Defenders of Wildlife.
- The goal of the work group was to amend the language in HB 2293 to make a positive contribution towards developing markets for ecosystem services.
- Concerns identified by the work group pertain to the Environmental Services (aka ecosystem services) Program provisions of the bill and included: additionality, program complexity, program eligibility and rules, government's role in promoting ecosystem service markets and definitions of terms.
- The work group developed amendments to the bill including the removal of the Environmental Services Program provisions.
- On April 3, 2007, the House Agriculture and Natural Resources Committee held a hearing on the amendments to the bill. Mike Cafferata and Oregon Small Woodlands Association testified in support of the House Bill 2293 amendments. The amended bill passed out of committee by a unanimous vote. Representative Boquist will carry the bill to the House for a vote. (Subsequently, the bill passed the House, referred to the Senate where it passed on May 8).

Discussion by the Advisory Committee followed:

- Patrik Norris asked how funding for ecosystems services might affect the role of ODF in achieving other Forest Resource Trust goals. Jim Cathcart said the number of landowners pointed towards an ecosystems service could be tracked and reported.
- Mike Cafferata said the time spent by stewardship foresters in helping landowners secure payments for ecosystem services would be part of their general time spent with landowners on incentive related activities
- Sara Vickerman said there is increasing interest in carbon trading. Currently carbon trading is allowed by law but there is no funding for it. Consistent rules for measuring multiple ecosystem services need to be developed from the start so that the accounting of one ecosystem service such as carbon does not preclude landowners claiming other ecosystem services from the same land – like for fish and wildlife habitat. She was part of a group who briefed the governor this morning (April 4, 2007) about the need for an Ecosystem Marketplace that would allow for this multiple ecosystem services accounting.
- Sara Vickerman said that combining funds for various programs interest more people. As an example, a Washington County project involving clean water services uses funds from water rates with Conservation Riparian Enhancement Program (CREP) funds paid to farmers to gain voluntary riparian forest restoration on agricultural lands.
- Sara Vickerman suggested that ecosystems services credits could be marketed with access by landowners and others on a website. The government could say what a

legitimate credit is and verify credits. The marketplace is driven by regulations that require that the loss of ecosystem services by business or development be mitigated.

- Sara Vickerman suggested that this committee present this issue to the BOF. It needs to be a simple program that will attract landowners. HB 2293 is the first bill ever to mention ecosystems services which is a good beginning. We need to go slow and get it right.

- Jim Cathcart said that as a standing committee of the Board, this committee could draft a letter to the BOF. He suggested that the committee do this at its next meeting. Sara will send information to Jim and he will forward it to the committee.

- Pat Norris suggested that time at the next meeting should also be spent on developing the committee's thoughts on what roles the Department's Private Forests Program staff and field foresters should play in providing technical assistance to landowners so that landowners participating in Forest Resource Trust programs can better secure payments for ecosystem services.

4. **Final Contract Language for Retaining Rights to Carbon Offsets:** Jim Cathcart reviewed the revised contract paragraph 6 "Carbon Offsets" with the committee. The revision was written by Department of Justice staff. The new language provides that when there is a buyout (i.e., the contract is paid off in full), future carbon offsets to accrue subsequent to the buyout are also retained by the Trust. Prior to this change, when a contract was bought out the Trust released all interest in the land including rights to future carbon offsets not already transferred to the Trust. Some comments by the committee included:

   - How will owners react? Currently, they have no access to carbon trading markets. If that changes someday, the Trust could pay owners for carbon offsets provided funds are available. This may be a barrier for some owners but not others. It will be discussed with landowners prior to contract signing.

   - Prior to this change, Klamath Cogeneration Project took the risk establishing the new forests but did not retain rights to carbon offsets when the landowner paid off the contract. It is more fair now that KCP retains rights to those offsets generated from forests established by KCP funds.

   - Patrik Norris said favorable financing terms (4 percent simple interest, payments applied to principal first, and no payments until there is a profitable harvest) by the Trust is the trade off for retaining rights to carbon offsets.

   - Jim Johnson said currently owners should not be bothered by giving up rights to carbon offsets because they don't know much about it anyway.

   - Mike Haasken said it helps to sell the Trust to landowners because we can tell them that they are doing something good for the environment. We need to make them aware of this before asking them to sign the contract. Jim Cathcart said prospective owners are advised to view Trust information (including sample contract) on the web site. He is working on a new brochure to help market the Trust to landowners. The brochure will be available on the web site and hardcopy.

5. **Final Contract Language – Adopted Amended Rules for Stand Establishment Program:** Jim Cathcart reviewed the revised contract language that was a result of new

language in the amended Oregon Administrative Rules (removed grow out option and simplified the Stand Establishment Program by eliminating the lien requirement) – specifically with respect to paragraph 13 "Trust Assumption of Financial Risk Associated with Catastrophe". Some of Jim's comments were:

- The old contract encouraged salvage harvest when there was a catastrophe. The revised language gives the owner a choice to harvest or not to harvest.
- If the owner chooses to harvest, the revised language says the owner must pay 50% of the net receipt until the actual Trust cost plus interest is paid even in the case where the salvage harvest would otherwise meet the administrative rule definitions of a final harvest.
- If the owner chooses not to harvest a portion, the actual Trust cost plus interest will be reduced by that portion attributable to that portion damaged by a catastrophe.

Jim also discussed briefly revised contract language in paragraph 11 "Monies Payable to the Trust by Landowner". Jim's comments included:

- 11(a) the interest rate is now 4 percent simple.
- 11(c) allows a partial harvest and partial payment.

(a) This change caused the Department of Justice staff some concern because it is not consistent with the newly adopted OAR requirement that full repayment of the remaining actual cost plus interest be made for any harvest meeting the administrative rule definitions of a final harvest – even when the final harvest only covered a portion of the area established under the Trust.

(b) DOJ recommended we enact emergency OARs to achieve the Advisory Committee's original intent that the final harvest of a portion of the project area only be required to pay back the amount of remaining actual cost plus interest attributable to the area harvested. ODF staff has elected to wait to revise OARs as part of the anticipated OAR revisions necessary for implementing House Bill 2293.

6. **Progress Report – Stand Establishment Program** – Jim Cathcart reported to the committee:

- $640,000 allocated for projects and @ 400 acres enrolled.
- $660,000 available for new projects. The applications we have received to date could use these funds up but we are still accepting applications as some applications end up not qualifying or are not a good fit for the Trust or are withdrawn by the land owners.
- Jim will ask others to help him find more funds. Sara Vickerman suggested Jim talk to Denise Pranger from the Northwest Natural Resources Group. Sara said municipalities are struggling to meet their carbon sequestration goals and the Trust may be able to partner with them to do that. Sara has talked to Louise Solliday, Director of the Department of State Lands, about setting a goal for carbon offsets in Oregon.
- The last Trust signup is a 12 acre project in Southern Oregon that is featured in the Oregon Water Trust's 2006 Annual Report, pg 15-16 (copies available). The OWT is marketing the Trust to watershed landowners.

- Projects in the pipeline – 83 acres (not including a 61 acre project which is qualified but on hold) are currently qualified for signing contracts by this June. Owners have applied for Trust funds for 275 acres this year. One project was not qualified due to a requirement to reforest. 58 acres. Other project applications are on hold.
- Enrolled acres are 889 (495 acres are funded by Klamath Cogeneration Project). 136 acres are certified as "free-to-grow".

Sara asked Jim whether conversion from vineyard to oak woodland would qualify for the Trust? Jim said no because the conversion must be a commercial species at commercial stocking levels. One enrolled project converted some acres to oak woodland but the oak acres were financed by the commercial species acres (under the old payback strategy). Mike Haasken reminded the committee that there are federal funds for oak conversion eg. Natural Resource Conservation Service funding through the Environmental Quality Incentive Program (EQIP) and the Wildlife Habitat Incentive Program (WHIP).Information about these and other federal incentive programs is available on the Defenders of Wildlife web site (http://www.defenders.org/).

7. **Member Roundtable – Information Sharing:**

- Sara Vickerman reminded the committee of The Wildlife Society meetings next week (April 11-13) in Pendleton. One of the breakout sessions will feature ecosystem services. She is the session's co-moderator and Jim Cathcart is a presenter (on carbon).
- Sara also mentioned upcoming US Forest Service, Pacific Northwest Research Station client meetings on ecosystem services. For more information, contact Bob Deal at (503) 808-2015 or rdeal@fs.fed.us.
- Jim Cathcart distributed copies of an article in the Oregonian "Global warming fight brings local victories" in which the Trust is highlighted by the author, Michael Milstein.
- Jim Cathcart had copies of a publication "Forests, Carbon and Climate Change" available. Jim and Matt Delaney authored one of the chapters "Carbon Accounting – Determining Carbon Offsets from Forestry Projects".

8. **Other** – Jim asked the committee what process should be used to develop ideas to communicate to the Board of Forestry on ecosystem service markets. Comments included:

- Since this committee is a standing committee of the Board, it can write a letter to the Board at any time and not necessarily communicate through the Board's issue scan process.
- Patrik Norris, Chairman, stated that he wants this entire Advisory Committee to develop these ideas, rather than a subset of the committee.
- The committee agreed to make the ecosystem services the focus of its next meeting.

9. **Next Meeting: Thursday,** June 7th from 10-3, here at Salem Headquarters, Bldg. D, Santiam Room. Lunch will be provided.