



February 9, 2017

Testimony in Opposition to SB 168
Senate Committee on Environment and Natural Resources
Ivan Maluski, Policy Director

Chairs Dembrow, members of the Committee:

I am the Policy Director for Friends of Family Farmers, a non-profit organization that advocates for socially and environmentally responsible family-scale agriculture in Oregon. We represent farmers, ranchers and consumers across the state and are testifying today in opposition to SB 168, a bill to extend the sunset on Oregon's biomass tax credit program until January 1, 2024.

Our specific area of opposition focuses on the impact of further extending the tax credit for animal manure digesters. This tax credit primarily benefits a handful of Oregon's largest dairy operations, and has no system in place for independently verifying its alleged benefits to the state of Oregon. We believe the Legislature erred during its short session in 2016 by extending the tax credit sunset for animal manure from its originally intended sunset date of December 31, 2017 to December 31, 2021. Extending this tax credit until January 1, 2024 will only compound the issues with this flawed tax credit program.

Lack of Transparency or Independent Verifiability and Accountability

The animal manure digester tax credit is now the most costly biomass tax credit the state currently offers (costing taxpayers over \$4 million in the 2015 tax year alone). Yet, despite its steadily increasing cost to the state in recent years, the animal manure tax credit lacks any independently verifiable outcome metrics. There is no independent monitoring to quantify its costs or benefits for the climate, air quality or to taxpayers. Though the program lacks clearly defined goals, has no system of accountability to independently verify its outcomes, and has not been shown to be an efficient use of limited state resources, the Legislature in 2016 extended the credit until the end of 2021, a decision that will cost the state millions of dollars in coming biennia.

While there are consensus recommendations dating back to 2008 for the creation of an Oregon Dairy Air Emission Program, this program has not been created and state of Oregon does not independently monitor or track methane or other air emissions from livestock operations, including those operations that have taken advantage of this tax credit. As such, the tax credit should not be extended further, and we would suggest that in lieu of extending it, its sunset should be returned to its originally envisioned date of December 31, 2017 until an Oregon Dairy Air Emissions Program is in place.

No Tracking of Methane or other Air Emissions

Though animal manure digesters are intended to capture methane from manure, they do nothing to address methane produced during the rumination process of livestock like dairy cows. These are methane emissions that cows exhale during the cud chewing/ruminating process and these emissions likely exceed methane produced by manure. The EPA has estimated these emissions to be the vast majority of methane emissions from dairy cows. Manure digesters do not reduce this significant source of methane emissions associated with large dairy operations. Further, methane digesters do not address emissions of ammonia, hydrogen sulfide, nitrous oxide, volatile organic compounds or particulate matter from large dairy and other livestock operations. Ammonia emissions from large dairies have been identified as a significant source of air pollution in the Columbia River Gorge.

If Oregon's actual policy goal includes reduce overall methane emissions from dairy operations in Oregon, we believe that grazing dairy cows on pasture is a more effective way to reduce overall methane emissions and increase carbon sequestration in soils than utilizing animal manure digesters where livestock are in confinement without access to pasture.

Current Tax Credit Primarily Benefits Large Confinement Operations, Not Small and Mid-Sized Farms

Another concern of ours is that the structure of the tax credit itself incentivizes large confinement livestock operations. It is paid on a per ton of manure basis, which means that the primary benefits have been for the very largest livestock operations in the state that generate the most manure. Since manure digesters need a steady supply of manure for year-round operation, this tax credit actually encourages larger confinement livestock management systems, rather than those which prioritize having animals outdoors and on-pasture, practices which have multiple environmental and animal health benefits.

For smaller and mid-sized operations, particularly those which graze animals on pasture for significant portions of the year, the current animal manure tax credit is either not useful or does not pencil out. The primary beneficiary of the manure digester tax credit to date and looking forward is Oregon's largest dairy operation, Threemile Canyon Farms, with roughly 70,000 animals in confinement. Further, if a recently proposed 30,000 head dairy near Boardman builds a digester, it will further burden Oregon taxpayers if this tax credit is extended, or if its sunset date pulled back.

Recommendations

We respectfully ask that you oppose SB 168, but that if you do choose to advance SB 168, we strongly urge you to amend the bill to change the sunset date for the animal manure digester tax credit date to its previously established sunset of December 31, 2017.

Given the substantial costs to the state of the current animal manure digester tax credit, we believe additional recommendations are warranted to better address the underlying policy questions around methane and other air contaminant emissions from large livestock operations.

These include:

- The Legislature in 2017 should establish a livestock air quality program similar to that proposed in 2008 by Oregon's Dairy Air Quality Task Force so that methane and other air emissions from large confinement dairy operations in Oregon are tracked. Fact-based best practices and policy recommendations should be developed and implemented over time. SB 197, a bill before this committee, would move this important program forward.
- Instead of offering tax credits, it should be a requirement that new, large confined or concentrated animal feeding operations in Oregon that are likely to have significant methane emissions build animal manure digesters. The construction and operation of animal manure digesters should be a cost of doing business in Oregon for new, large livestock operations, not incentivized through tax credits.
- If future tax credits for animal manure digesters are considered, it is imperative that an overall livestock air quality monitoring and improvement program is in place first, and that clear and measurable goals for reducing livestock related methane and other air emissions are developed. Any tax credits offered in the future should be designed to primarily help small and mid sized farms adopt the technology, particularly in regions where multiple benefits related to air and water quality can be quantified. Additionally, if considering animal manure related tax credits at all, incentives to encourage producers to get cows outdoors and on-pasture more of the year and incentivizing practices like rotational grazing and soil carbon sequestration should be considered.