



STANDING UP for Working Oregonians!

#TIMBERUNITY FOUR-POINT CARBON REDUCTION PLAN

BACKGROUND: Since the mid-2000's, Oregon has sought to reduce its carbon emissions and transition to energy sources that reduce fossil fuel consumption. Attempts at that effort have had mixed results including some success in the areas of ramping up electric vehicle infrastructure and residential energy programs, but the efforts have also resulted in failed programs like the BETC tax credits, which cost taxpayers a billion dollars in tax expenditures. Nearly one-third of those credits per an Oregon Secretary of State audit in 2016 were deemed as speculative in nature, and outright fraud resulted in imprisonment of individuals associated with the program.

Most recently, Oregon has initiated bills to end the use of coal-fired power plants; implement a Low Carbon Fuel Standard; and in the past few sessions, attempt to pass a Cap and Trade plan. Most recently, a KGW news report documented that our power companies are not ready to move away from coal, even though they will be required to do so. The result could cause grid disruptions throughout Oregon. The Low Carbon Fuel program has been shrouded in secrecy while gas prices for consumers creep upwards with zero transparency.

During the 2019 debate over House Bill 2020, it was found that the proposed Cap and Trade Program would have a negligible impact on Oregon's carbon emissions but would result in a significant cost increase of home heating prices and fuel costs for nearly every Oregonian. House Bill 2020 failed to pass in the 2019 legislative session, and with the introduction of Senate Bill 1530 and its amendments in 2020, there remains concern that a Cap and Trade program is nothing more than an effort by state leaders to increase revenue by setting aspirational, yet unattainable goals. We've seen this time and again in Oregon's state government, where aspirational goals set, money is spent, but the goals fail to be implemented.

CAP AND TRADE LEGISLATION TODAY:

Oregon is already a leader in having a low carbon emission rate per capita. Senate Bill 1530 seeks to reduce carbon emissions further through a complex, costly, bureaucratic and unvetted process. While the bill continues along with multiple amendments, the underlying concept appears to remain, which is that government leaders are committed to the belief that taxing carbon will reduce it. We believe based on other areas of Oregon tax policy, that taxing a specific behavior fails to reduce the behavior. As long as the end result of Senate Bill 1530 is one that drives costs for citizens and businesses through increased fees, taxes, or costly regulation, Timber Unity and its 54,000 members will remain opposed.

However, we are committed to working with our elected leaders to find ways to achieve the same goals of carbon and greenhouse gas emission reduction, but without taxation and better public policy.

Assuming for a moment that the carbon levels modeled by Oregon's Department of Environmental Quality are correct, then according to the Oregon Greenhouse Gas Emission Report produced by DEQ dated July, 2018, Oregon's carbon emissions in 1990 were 47mmt and overall greenhouse gas emissions was 55mmt. Oregon's

population in 1990 was 2.8 million people. In 2016, our carbon emissions were 50mmt and overall green house gas emissions was 61mmt. Oregon's population in 2016 was 3.8M people. While the population increased over 26 years by 26%, our corresponding green house gas emissions only increased by 9.8%.

To make these numbers more easily understood:

1 metric ton of carbon = 2,204.62 pounds.

1 million metric tons of carbon = 2,204,602,000 pounds.

In 1990, it is estimated that Oregon's carbon consumption was 55mmt or 121,254,100,000 pounds.

Against 2.8 million residents, Oregon's per capita carbon consumption in pounds in 1990 was 43,305 pounds per person.

In 2016, according to DEQ's data, it was estimated that Oregon's carbon consumption was 61mmt or 134,480,722,000 pounds.

Against 3.8 million residents, Oregon's per capita carbon consumption in pounds in 2016 was 35,389 pounds per person.

The data shows that there was a per capita reduction between 1990 and 2016 of 7,916 pounds per person, or a reduction of 13mmt of greenhouse emissions, based on 1990 levels.

Senate Bill 1530 in its first phase seeks to reduce carbon to a 45% reduction of 1990 modeled carbon levels by the year 2035. If greenhouse emissions were 55mmt in 1990, then a 45% reduction would be a goal of 24.75mmt. From today's numbers of 61mmt, we'd need to reduce 36.25mmt of emissions from the environment, or 79,916,882,500 pounds of carbon by 2035. Annualized, that's 2.41mmt or 5,327,788,167 per year by 2035.

Now that we understand the numbers, we can seek real solutions to meet the goal.

To that end, Timber Unity Association has put together a four-point plan our board believes can achieve the stated goals of Senate Bill 1530, without levying a tax or creating a complex and expensive bureaucracy, while still creating jobs, particularly in Rural Oregon.

1. DEVELOP AND EXECUTE A RIGHT-OF-WAY CARBON SINK PLAN TO REDUCE CARBON EMISSIONS AT THE SOURCE

The State of Oregon is in control of over 8,000 miles of public roadways. These roadways are currently managed by the Oregon Department of Transportation. Each mile of road is bordered by a right of way, and in most stretches of road, is bordered by a right of way in each direction. That effectively makes ODOT is responsible for nearly 16,000 miles of road right of ways.

Every political subdivision in Oregon similarly has the responsibility to own and manage public right of ways. In Clackamas County for example, the County is responsible for over 1,400 miles of road, or 2,800 miles of road right of ways.

Currently, many of these rights of way are managed by mowing and chemical weed management. Timber Unity believes that by converting maintenance budgets into planting and vegetation monitoring budgets, Oregon can use these public rights of way as a carbon sink by planting high-carbon sequestering vegetation or where safely able, native hardwood tree species.

ODOT's 8,000 miles of roads, doubled for dual-lane traffic, is 84,840,000 linear feet. If one tree is planted at the equivalent of every 5 linear feet, and three rows of trees are planted for the depth of the right of way, the ODOT right of ways could host as many as 50.9M trees. A variety like a poplar, which is fast growing and can sequester upwards of 100 pounds of carbon per year convert ODOT's right of ways from a budget cost center into a carbon sink that can sequester over five billion pounds of carbon per year, nearly the equivalent of the annual reduction required by Senate Bill 1530 to meet the first phase goal.

We believe where trees are impracticable, carbon sequestering vegetation should be introduced.

Further, by making grants available to cities and counties to do the same right of way effort, Oregon can meet its sequestration goals without adding a new tree on any other type of public land. Not only does this effort beautify our right of ways, it also captures carbon at the source, next to roads where carbon is being emitted and air quality is being disrupted.

More easily explained, to reach an annual sequestration goal of reducing 2.41mmt of greenhouse emissions, Oregon needs to plant 53,277,881 trees annually for 15 years. Cumulatively, the public owns the land to meet that capacity.

2. REDUCE ROAD MILES THROUGH PUBLIC PROCUREMENT AND ASSET MANGEMENT

Timber Unity wants Oregon's government to practice what it preaches as it relates to carbon reduction. It's shocking to find in our public procurement process how much Oregon spends tax dollars on goods and services from out of state that can be obtained from local vendors. While we know "buy local" hits snags when encapsulated into statute, public procurers have a right in current law to specify and value intrinsic bid specifications in the procurement process. Oregon's government procurers should implement a carbon metric into its public procurement process.

Recently, the Oregon Department of Corrections had a "low cost bid" with a food vendor in Miami, Florida to provide meat products to the Oregon prison system. Oregon makes, grows, processes, and packages meat products locally. When factoring in public health costs into procurement caused by environmental consequences, the meat vendor from Miami cannot possibly be the low cost bid for Oregon taxpayers.

On average, a truck hauling freight gets six miles to the gallon. Take a look at this equivalency formula:

6 ROAD MILES = 1 GALLON DIESEL = 22.38 pounds of Carbon expended

A truck driving from Miami, Florida to the DOC facility in Salem to deliver a food good will drive 6,607 miles round trip.

That's 1,101 gallons of diesel burned. That's 24,611 pounds of carbon expended. A trip from a meat vendor in Portland to Salem is 90 miles, 15 gallons of diesel, and 335.7 pounds of carbon.

Oregon governments collectively are the largest procurers of goods and services. By changing its procurement and accounting for the public health costs, the low cost bid becomes the local product. As a biproduct of including a carbon value in procurement, Oregon's General Fund becomes the beneficiary of income tax collected from the local bidder as the vendor in Miami is not subject to Oregon income tax.

With regard to asset management, Oregon needs to have robust ports and river access for shipping, which reduces road miles. When truck traffic increased by 1,000 truck trips a week due to closure at the Port of Portland, Oregon's emissions due to truck traffic increased by 116M pounds of carbon on an annualized basis (based on a 300-mile round trip from the Portland to California border). We need to make sure every port is open for business and that lawmakers rewrite any statutes necessary to ensure the private business operations issued port leases by the State or any of its political subdivisions can never again shut down our ports.

Lastly, Timber Unity supports the re-opening of the Willamette Falls Locks so that we can divert truck traffic off the freeways and onto the Willamette and Columbia Rivers, further reducing road miles, fossil fuel consumption, and carbon emissions. We would like to see the Legislature implement the necessary bonding to pay for and receive transfer of the Locks from the Army Corps of Engineers.

3. INVEST IN RECYCLING INFRASTRUCTURE

Timber Unity believes refuse management is one of the most critical things we can do to reduce emissions and to extend the lifecycle of raw materials, particularly those materials that are extracted or produced with fossil fuels or scarce elemental components.

While Oregon prides itself on its storied Bottle Bill, the dirty little secret of the Bottle Bill is that much of what consumers take back when they retrieve their dimes is outsourced on trucks to other states for recycling. Again, as with procurement, Oregon is engaged in a policy decision that is heavily dependent on fossil fuel use in the form of shipping recyclables out of state, and until recently out of the country.

Additionally, when the last wood products recycler in the Metro-area closed, lawmakers and Metro government officials stood silent. Now, wood products like pallets and other wood recyclables are diverted into landfills. This is a shameful use of our forest products.

Moreover, we hear from businesses that accept curbside recycling that government entities who push composting agendas, themselves, are not utilizing locally-produced, compostable materials to the level that they could in order to further a sustainable agenda.

To achieve the goal of investing in better recycling infrastructure, Timber Unity supports the idea that the Legislature should make available lottery bond dollars for the purpose of building a robust recycling infrastructure, in the same manner it uses lottery bond dollars for Connect-Oregon type projects. Further, the Department of Environmental Quality must address a way to fast-track permit and cite recycling and composting facilities.

We need to invest in companies bringing innovative technologies to the forefront. We know from some of the debates about plastic bans that for every million pounds of plastic recycled, we offset 2.5 million pounds of

carbon reduction by avoiding virgin plastic production. We further increase the carbon savings by investing in local facilities rather than trucking recyclables out of state.

While most would agree it's not the role of government to subsidize a private business, we believe a critical societal need like refuse management, particularly for the purpose of expanding the useful life of a product in order to better steward the resource, is a shared concern for us all and worthy of a taxpayer investment and/or partnership with a private business who can facilitate those services.

4. ACCELERATE DEPRECIATION ON FLEET AND BUSINESS PROCESS UPGRADES WHILE HOLDING SMALL BUSINESS HARMLESS

Timber Unity believes the Legislature should take the approach of offering the proverbial carrot instead of beating small business owners with a tax stick. We also know that there are differences in the ability of companies due to the age, size, and business life cycle for how much up-front investment a company can make in fleet and facility upgrades to meet carbon reduction goals.

Unlike tax credit programs for electric vehicles or the failed BETC tax credit program, Timber Unity would like to see businesses that can make upgrades be facilitated to do so through the tax code. We also want the State to recognize that some small businesses will never be financially stable enough to make those upgrades and hold those small companies harmless from punitive environmental policies.

We propose the Legislature should enact an accelerated depreciation program for facility and fleet upgrades and make that change to the tax code immediately available to companies whose businesses operate in Oregon. The tool of accelerated depreciation allows the business owner to recoup investment costs more rapidly by using their own operating capital, rather than a taxpayer-funded giveaway. By allowing a business to write off the entirety of their investment in one to three years instead of seven to ten, the business can recoup the cost of the investment and pay down the debt associated with that investment in a manner that keeps better operational cash flow in the business. We realize that the state general fund is temporarily impacted by frontloading the deductibility of the expense, but accelerated depreciation for these kinds of investments is not only cost neutral to taxpayers, but incentivizing upgrades changes behavior and induces upgrades that will reduce public health costs for the state moving forward.

CLOSING:

Timber Unity is ready to work through these concepts with public policy makers at every level of government where they can be enacted. Using the State's own data, we can demonstrate the emissions savings goals in formulas that are more easily understood by the public, and then use those formulas to calculate what must be done to achieve carbon savings solutions. If the goal is truly to reduce emissions, and not raise new tax revenue, then we believe based on our understanding of the goal, these four policy concepts are a path forward.

Timber Unity looks forward to the continued dialogue for how we can share in a common goal to be the best stewards of Oregon.