



OREGON
ASSOCIATION OF
NURSERIES

**Comments to the Senate Committee on Environment and Natural Resources
Relating to Senate Bill 1530 – dash 3**

Submitted by Jeff Stone, Executive Director, Oregon Association of Nurseries
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Chair Dembrow, Vice-Chair Olsen, members of the committee, my name is Jeff Stone and I serve as the Executive Director of the Oregon Association of Nurseries. Thank you for the opportunity to provide comments on the issue of reducing carbon in Oregon.

Oregon is responsible for .14% of the world’s carbon emissions, so 99.86% of carbon comes from outside of our little slice of the Pacific Northwest. Oregon is abundant in natural resources – timber, food and nursery production reign and it is no accident that we have the potential to act as a key to open the door to resolving carbon issues.

The debate over Senate Bill 1530 is one that the agricultural community needs to take seriously and be part of a solution – otherwise policies and cost could overwhelm an economic sector that is poised to make a difference.

Nursery and Greenhouse Industry is a traded sector and steward of the land

The nursery and greenhouse industry is the state’s largest agricultural sector, and the industry ranks third in the nation, with almost a billion (\$996 million) in sales annually to customers in Oregon, the rest of the United States, and internationally. In fact, nearly 75% of the nursery stock grown in our state leaves our borders – with over half reaching markets east of the Mississippi River. In 2018, Nursery and Floriculture averaged 9,150 jobs, while its payroll totaled \$332 million; with the average wage of \$36,286. We grow and provide ecologically friendly green products out of the state and bring traded sector dollars back to Oregon.

Nursery association members represent wholesale plant growers, Christmas tree growers, retailers, and greenhouse operators. Our members are located throughout the state, with our largest nursery growing operations found in Clackamas, Marion, Washington, Yamhill and Multnomah Counties

On the issue of carbon mitigation, the OAN led by example

The first of its kind in the nation, the Climate Friendly Nurseries Project (CFNP) partnered with nurseries to help them measure and reduce energy, resource use and greenhouse gas (GHG) emissions while achieving greater economic efficiency and profitability. The CFNP was an Oregon-only collaboration between OAN and the Oregon Environmental Council and took place from 2009-2011. Nurseries who participated in the program, as well as others in the industry, continue to employ the best practices established with the CFNP.

At the conclusion of the three-year project, participating nurseries reduced their GHG emissions by an average of 20%. Best Management Practices for Climate-Friendly Nurseries, a guide developed through the project, provides best practice recommendations and case studies and identified funding sources and technical resources to assist with the energy and resource-efficiency upgrades. The CFNP demonstrates the need to recognize work and efforts underway and a path to invest in incentive programs to lower the barriers (cost and regulatory) of entry to all nursery and greenhouse production types.

Recognition of nursery industry as a trade sensitive sector is a positive step

The OAN is grateful for the sensitivity of the committee to recognize that the nursery and greenhouse industry's reality of competing at a national and global level markets. However, the bill requires a grower to perform a potentially costly energy efficiency audit, and then perform any recommended upgrades, before they can take advantage of rate relief on natural gas. For many of Oregon's nurseries that have taken it upon themselves to invest in energy efficient equipment in the last decade, this is an unnecessary additional cost – another paperwork requirement that will increase the cost of doing business in Oregon.

A potential solution is to adopt a no-strings-attached rebate program similar to the Alberta, Ontario province in Canada. The spike in natural gas prices damaged the nursery and greenhouse industry in Alberta and should act as a cautionary tale to Oregon lawmakers. The province created the [Alberta Greenhouse Rebate Program](#), which offsets the significant cost increases for natural gas resulting from the carbon levy by providing eligible nursery and greenhouse operators with a grant equal to 80% of the carbon levy paid on their purchase of eligible natural gas and propane for crop production related heating their operation.

Transportation carbon tax will hurt agriculture

The OAN and many in the agricultural sector were full throated supporters of the landmark transportation (HB 2017) – a ten-year, \$5.3 billion, package of taxes and fees to fund congestion-reducing projects, highway and bridge improvements, transit projects and more around the state. The package would have been compromised if it were known that a few years later a carbon bill would add cost to transporting goods in Oregon and around the country.

Oregon's transportation infrastructure will continue to need funding after HB 2017 is fully enacted. With no planned funding alternative, continued adoption of fuel-efficient vehicles, and additional mandates from SB 1530, Highway Trust Fund revenues will dramatically decrease over time. Declining revenues will curtail future debt capacity and bonding capability. It will also reduce road maintenance budgets for the state, counties, and cities, jeopardizing road and bridge conditions across Oregon.

SB 1530 does nothing to mitigate cost increases in the transportation sector for nurseries. The regionalized approach to transportation costs will not help nurseries and greenhouses because they are situated largely in the Willamette Valley. The issue of cost to get green goods to market remains a significant concern to the OAN. While it appears that SB 1530 addresses exempting on-farm fuels from carbon pricing, the lack of a reasoned compromise is troubling. The OAN took lessons from Canadian nursery owners warning that since the implementation of carbon pricing in their provinces, fuel costs have increased 10% even though Canada is a net exporter of fuel. While it is a paperwork nightmare, British Columbia enacted a rebate program as well to hold their nursery and greenhouse industry harmless.

British Columbia's carbon tax applies to the purchase and use of fossil fuels. It does not apply to electricity. In recognition of the fact that British Columbia's nursery industry competes with other provinces and U.S. States that are not subject to carbon pricing, as well as the fact that nursery products sequester carbon, British Columbia's government has attempted to compensate the nursery industry in the following ways:

- The Greenhouse Carbon Tax Relief Grant, which provides eligible B.C. commercial greenhouse growers with a grant equal to 80% of the carbon tax paid on their purchases of natural gas and propane consumed for heating and producing CO₂ for their production greenhouses.
- The Environmental Farm Plan Program, which helps producers find opportunities to decrease on-farm emissions and reduce climate risks by adopting beneficial management practices that enhance soil health, promote stewardship of riparian areas, advance integrated pest management, and increase energy efficiency. Cost-share funding is available for producers to invest in on-farm projects such as fuel switching, renewable natural gas, and upgraded irrigation systems.

Impact of carbon pricing impacts the supply chain for the nursery industry

Over the last decade the Oregon legislature has enacted bills that add to the price of production in the nursery industry. What is less obvious and yet equal in its impact is the increase costs up and down the nursery supply chain.

We remain concerned that propane remains a regulated entity and that the state does not have the ability to design a program to offer price offsets. Price increases within a supply chain harm nursery and greenhouse growers of every size.

Recently the committee heard from the H-C Companies representative Tom Brewer, who also serves as a member of the OAN Board of Directors, who sells nursery and greenhouse containers for plants along with other products to the industry. Our suppliers have similar economic dynamics that mirror the nursery industry and must cope with cost pressures from many directions with very slim margins. Whether is a container supply, or bark from a mulch company to be part of a potting mix so growers do not export our valuable soil, the nursery supply chain is critical to Oregon's competitive operations in a national and global marketplace.

Environmental offsets on highway projects is good policy

We are pleased that the legislature sees value in mitigating environmental impacts of highway projects. The State of Florida has given the carbon debate a roadmap to use the green products in our transportation system. A visionary program, the use of plants and trees to serve as an environmental offset for road improvements should be a national model. Beautification is a luxury and this program is NOT that. The progression that Oregon hopes to advance is that planting large quantities of trees and other plants along roadways has significant value as a method of sequestering carbon, reducing erosion and creating wildlife habitat.

Areas of concern remain

Senate Bill 1530 presents a climate change policy that will raise prices for transportation fuels, natural gas and propane. These costs, coupled with the rising cost of doing business from other legislation, will make it impossible for some of OAN's members to remain in business. Other members will struggle under thinning margins to make capital investments or grow their business. The OAN is committed to helping its members be successful growers in Oregon, and we believe SB 1530 will do harm to the industry.

However, the OAN is grateful for the outreach by Chair Dembrow and the Governor's Carbon Policy Office, the bipartisan leadership in both the State House and Senate to seek the advice of the agricultural industry. There is a lot of uncertainty regarding electric bills and of our family owned small nursery operations could be exposed by energy spikes due to increases in natural gas suppliers who generating electric power.

Thank you for the opportunity to engage on this important discussion.