



February 19, 2020

Testimony in support of House Bill 4167

Thank you for the opportunity to provide testimony. I am Bettina von Hagen, the CEO of EFM, a forestland investment and management company which manages 100,000 acres of forestland in OR, WA and CA on behalf of investors including 55,000 acres in Oregon. I urge you to enact House Bill 4167 to benefit forest health, fund the restoration of overstocked, fire-prone forests, and create opportunities, jobs and resources for rural communities and forest landowners.

I would like to direct my comments specifically to legislators with substantial forests in their districts and constituents that are dependent on those forests for forest management jobs, recreation, hunting, and other activities.

I would like to make 4 points:

1. Rural forested districts are net storers of carbon, meaning they are storing more carbon than they are emitting. Your constituents should benefit from that. Some already have: Lake and Klamath Counties contains the largest carbon project in Oregon; sales of carbon credits under California's cap and trade offset program are providing the landowner with the resources to manage and restore this property. The project has generated 806,000 credits as of the last reporting date with an estimated value of \$10-12M. Expanding this opportunity to other landowners in your districts, with the attendant job creation in logging, hauling, and other forest management activities is a unique and important opportunity.
2. While rich in carbon, as you also know, rural districts have a disproportionate share of unemployment and low-income households. They deserve to share in the economic benefit of the forests that surround them.
3. However, a large portion of those forests are overcrowded, fire-prone forests that need immediate attention to address threats to air quality, human health and life, and property damage from forest fires, as well as for economic and ecological reasons. Our experience, and that of many other private and public landowners, is that timber harvesting is not currently an economically viable activity on many eastside properties as a result of past overcutting, fire suppression, loss of mill infrastructure and climate change.
4. We need an alternative financing source to finance forest thinning and restoration and to create and maintain rural jobs – loggers, haulers, equipment operators, chainsaw operators, fencing

contractors, restoration ecologists and so on. Restored forests can, with time, return to the desired, valuable, open stands of fire-resistant ponderosa pine from the overstocked, low-value lodgepole and juniper stands that dominate many eastside forests today. Restored forests can catalyze a new and efficient network of new mills and processing facilities, allow for sustainable timber harvest, and breathe new life and opportunity into rural communities decimated by past mill closures.

Carbon has been a highly effective financing source to fund restoration, return forests to health, and create jobs and economic opportunities for rural communities. Rural districts in particular will benefit richly from cap and trade legislation that permits forest offset projects and directs auction revenues to forest restoration.

I will note that we, and other forest landowners, have been very challenged to find the strategies and financing to adequately restore the forests we manage on the eastside. The net margin from timber harvesting on the best of our mixed-conifer, lodgepole-dominated stands is minimal; any weather event, road issue, mill closure or log price drop renders harvesting unprofitable. Without management, our forest stands continue to stagnate, inviting disease, fire, and further degradation.

We have a much better reality across the border: we also manage 40,000 acres in Siskiyou County in northern California. It is a similar forest type to the forests in eastern, central and southern Oregon but with another reality: carbon auction revenues from cap and trade legislation in California have funded \$3.4M for forest restoration and reforestation on our property. This is creating dozens of jobs in tree planting, shaded fuel breaks, and thinning, improving fire risk protection to communities and building a more economically and ecologically valuable forest. In addition, auction revenues have provided funding for conservation easements that help maintain the land in forest cover. Keeping houses and structures out of fire-prone forests and providing tools to private landowners to maintain forests in perpetuity are important public policy goals for both California and Oregon.

Your constituents, including our company, need you to bring the same tools to Oregon so we can restore forests and create economic opportunities, reward forestland owners and communities for their carbon storage, and fund vital services for counties.

Carbon hasn't just been a tremendous boon to forests and rural counties in California. I am just back from Colombia, which is in its third year of a tax and invest market. That market is generating \$300M and growing for forest restoration, reforestation, and avoided deforestation, with much of that flowing to rural communities. Colombia passed that legislation as an investment in its future, its peace process, and to improve economic conditions in rural communities despite its dependence on natural resources, in recovery from a recent brutal history, and with high income inequality. Many of the carbon projects are being developed in rural indigenous and Afro-Colombian community forests with significant funding not only for forest protection, but also economic diversification, and improved funding for health, education, public safety and governance.

We can and should do at least as much for our forests and rural communities and our collective future.

Finally, I would like to address some of the concerns that have expressed about cap and trade legislation. The forest industry has played a significant role in the development of Oregon and a thriving forest industry is vital to our future. Forest investment and management is subject to commodity prices, climate and weather, federal and state regulations, and political forces well out of our control, and it is very understandable to be wary of new potential sources of risk. I would note that with respect to the proposed cap and trade legislation forest landowners' participation is purely voluntary, sawmills and other wood processing facilities will be protected financially through the granting of free emission allowances as a trade-protected sector, and the proposed legislation addresses previous concerns raised by rural communities and truckers about fuel costs. Indeed, the presence of carbon markets expands options for forest landowners, especially for forest carbon located in places where timber harvesting is not an option or is a poor option: long distance to mills, steep slopes, riparian and other ecologically sensitive areas, viewsheds, areas of high recreational value, and water sources.

Some have voiced concern that the presence of carbon markets might diminish timber harvests and availability of logs for wood processing facilities. This does not seem to have been the case in California. The California cap and trade program took effect on January 1, 2012. Since that time timber harvests have more than doubled from \$267.4M in 2012 to \$551.8M in 2018. During the same period, projects in rural counties in California have received \$209M in grants for shaded fuel breaks, precommercial thinning, reforestation and conservation easements and other activities to promote forest health and rural vitality funded by the auction of emission allowances. In addition, forest offset projects throughout the US sequestered 113M tonnes of CO₂e since the inception of the California cap and trade program with an estimated market value of **\$1.1-1.7 billion**, with 3M of those tonnes generated by Oregon forest projects (estimated value of \$30-45M). **Rather than a constraint on the forest industry and rural counties, the cap and trade program has created a substantial and unprecedented source of funding and resources for forest landowners and rural counties.**

I urge you to support and pass cap and trade legislation that includes a substantial role for forests in terms of both offsets and eligibility for auction revenues. This is a rare opportunity for a triple win: reducing emissions, addressing forest health, and creating opportunities and jobs for rural communities.