

Forest Roundtable
Convened by the Vermont Natural Resources Council
February 20, 2008
Meeting Summary

Meeting Participants: Jamey Fidel, Put Blodgett, Peter Upton, Bob Perschel, Amy Vaden, Sean Jeffries, Jeff Smith, Carl Powden, Jonathan Wood, Eric Sorensen, Ehrhard Frost, Mark Lorenzo, Ann Ingerson, Peter Condaxis, Ethan Ready, Phil Huffman, Steve Springer, Hugo Liepmann, Jim Shallow, Sandy Wilmot, and George Gay.

Welcome, Introductions, review of materials (minutes, agenda)

Jamey Fidel, Forest Program Director, VNRC

Discussion re: Implementation of Roundtable Recommendations

Overview of Legislative Initiatives and Related Bills

- 1. Current Use Legislation** – Jamey Fidel – Use Value Appraisal (UVA) Task Force has recommended strategic changes to the Current Use Program, to compliment many aspects of the program that are working well. Several recommended changes include: allowing forester inspections every 10 instead of 5 years, allowing landowners to continue enrollment when ownership changes, allowing listers to skip reappraisals if use/value rate changes are small, and expanding the enrollment of important ecological areas. For ecological areas, site 4 lands (wetlands/steep slopes) would be able to be enrolled with no limit, although more than 20% would require documentation to county forester; 80% of Site 1, 2, and 3 would continue to be managed while up to 20% of productive forestland would be available for enrollment of important ecological areas. Formal definition of ecological areas is still pending based on input from the Department of Forests, Parks, and Recreation (DFPR).

Jonathan Wood asked whether the continuing study of certain issues is in the bill. Jamey Fidel said the Senate Natural Resources and Energy Committee is overwhelmed and left those details up to the House so they could at least pass it out in some form. From Senate Natural Resources and Energy the bill will go to Finance, and possibly Agriculture (although they have already reviewed it). The House will put it through many committees. Outlook is good due to strong testimony from many parties.

Carl Powden said more staff is needed, why isn't it in the bill? Jamey Fidel said Rep. Clarkson is working on funding options. Jonathan Wood noted he will oppose any additions that cost money because it is not in the Governor's budget, and that the bill will be easy to kill.

Jeff Smith asked Jonathan Wood how the DFPR will define the ecological areas that can be enrolled. Jonathan Wood said they will look at existing standards,

decide what resources are available to allow them to administer the program, have a series of meetings, and then bring it out to the public at large. Jeff Smith said it could have a huge impact or not much, Jonathan Wood said probably not huge. Jeff Smith asked if there's anything that would disallow harvesting in these areas. Jonathan Wood said that harvesting restrictions will depend on the forester-approved plan, and could be changed anytime the landowner wishes to amend the plan.

Ann Ingerson asked if shifting forests – from climate change – is being considered when mapping is done? Eric Sorensen pointed out that forests will react slowly, and although stressed, they won't shift wholesale – more on the edges of communities.

Bob Perschel asked Jonathan Wood what would happen if you harvest in a designated ecological area. Jonathan Wood said you would be thrown out of the program, just as if you developed the forest. He said forest plans do not need to incorporate ecological areas, but it will be there as an option to include in plans.

Jim Shallow and Jamey Fidel noted that roundtable members will have to indicate that this bill is a priority for them so it doesn't languish in committee, and also follow changes so that the fragile coalition supporting the legislation isn't broken.

2. **Forestry Study Committee Bills** – A general discussion about the appropriate committee of jurisdiction for forestry issues followed. The House will consider splitting committee jurisdiction over forestry issues between Agriculture, Fish and Wildlife, and Water Resources, and Natural Resources and Energy, instead of just using the Natural Resources and Energy Committee. It was explained that Rep. Dostis (Chair of the House Natural Resources and Energy Committee) did not want to do that without a full discussion next year, but many bills have already been sent to different committees anyway. Jim Shallow and Carl Powden agreed that changing jurisdiction midway through the session is inappropriate, but the roundtable should weigh in on it next session. Jamey Fidel agreed to put it on a future agenda. Jonathan Wood explained that available funding is the big issue on all of the bills, and the legislature needs to find money for them. He said the likelihood of any of them passing with an appropriation is near zero. Jamey Fidel said we could choose to get behind a few bills, but this might not be the year money-wise.

- a. **H755 - Forestry Enhancement Program, etc.** – This bill in House Agriculture would establish a forest products enhancement program through Vermont Housing Conservation Board (VHCB), and would include implementing a study to look at third party certification for state lands, and appropriate a sum of \$300,000. Carl Powden says VHCB already does a similar program for agriculture that provides business analysis assistance to improve operations and increase income. Peter Condaxis said, and Jeff Smith agreed, that the lack funding that Jonathan

long subdivision driveways and utility line exemptions, and implementing other strategies to keep the rural land base intact.

- 5. H857 - Enforcement of land gains tax** – This bill hasn't gotten much attention. Jonathan Wood says it has inappropriate penalties, would require the DFPR to inventory 20 parcels each year, but doesn't even address the intended subject: the land gains tax issue. Jamey Fidel acknowledged that deciding how to implement enforcement of the land gains tax has been a struggle, and the Roundtable should make this a topic for future discussion.

ANR Reorganization – Jonathan Wood said the process was initiated two years ago with a legislative committee, and reauthorized last year under the new Secretary of Agency of Natural Resources. There have been a series of task forces initiated with staff at the ANR. The leadership put together a draft plan on how to implement the re-organization that was approved with minor changes by the governor. Now employees will get their first look, and then a series of meetings for legislators will follow. Mostly the Department of Environmental Conservation will be affected, creating a watershed approach by putting water and wetlands programs together under DEC. Forest Parks and Recreation, and Fish and Wildlife will not change. Several 'centers' will be set up, and liaison's to centers – called Environmental Masters – will look at all issues. Pending initiatives such as the Ten Point Plan for Fish and Wildlife should be dealt with no matter how the reorganization occurs. The timeline is supposed to be that the public will see the plan in mid-March.

Break at 10:35; Reconvene at 10:52

Capital Gains - Jonathan Wood brought up the governor's plan to close the capital gains loophole. Although the governor hopes to close this loophole, he recognizes it could impact investments in forestland. Jim Shallow asked how this would affect timber sales, and Jonathan Wood said that's what they're looking at. Ehrhard Frost said he thought most timber sales would be impacted by any capital gains law changes. Jonathan Wood says the capital gains loophole fix would probably not pass without addressing forest landowner impacts.

Forest Legacy Assessment of Need Project – Jonathan Wood reported that the new maps are being developed would add some areas such as the Taconics while precluding others such as Addison County, etc. He said much of the success in the Forest Legacy Program has been in the Northeast Kingdom in Orleans and Essex County. Jim Shallow pointed out that it's hard to compete for this money at the regional level because our areas are small compared to Maine; if we build blocks of contiguous forest, it will help us get this federal money.

Discussion on Biomass Policy in Vermont

- 1. Biomass legislation in Vermont- H759 and S350** – Bills have been introduced, but no testimony has been taken yet. Jamey Fidel noted that the time is ripe for biomass legislation because of the increased interest in energy at the Statehouse.

The bills would establish a tax credit for installing biomass equipment, help fund research of silvicultural guidelines and wood procurement standards, and require a comprehensive report on biomass energy production at state facilities.

- 2. Research and development of wood procurement standards and silvicultural guidelines; wood supply information; etc.** - Peter Condaxis said he works at 50MW Ryegate power station, one of two wood chip stations in the state (the other being in Burlington). When built, the city hired a forester to develop a chip harvesting policy to make sure sources met guidelines for forestry practice, water quality, archaeological protection, erosion control, visual concerns, and wildlife habitat. Problem was that the criteria only applied if the destination AND the source for the chips were in Vermont, creating an uneven playing field. Also, Vermont harvesting contractors can sell their wood to out of state buyers to avoid the criteria if they don't care enough about wildlife habitat, etc.

Peter Condaxis said the harvesting criteria are not as comprehensive as FSC standards, but do generally cover all the components that go into good forestry. So these criteria have helped, but only in places where they apply. Also, seasonal heating markets including 31 VT schools – which are outside of these criteria – have grown, and sawmills are increasingly using their own chip waste to heat their facilities (residue used to be 25% of Ryegate Power Station's supply, now it's 7%). On the other hand, if these criteria were expanded to apply to more things in the state, Peter said it would be a nightmare because the Department of Fish and Wildlife already has trouble keeping up with site visits and approvals. Currently, the Department of Fish and Wildlife review only three criteria – deer wintering areas, wetlands, and habitat of endangered species – because these mirror Act 250 requirements.

Carl Powden asked about the proportion of VT wood chips to local power plants vs. going out of state. Peter thinks it's 2:1 or 3:1 with the majority of the wood chips staying in the state. In Burlington, this happens because it's not as economical to get to a nearby out-of-state source; in Ryegate, it's just right over the Connecticut River. Due to Burlington's limited choices for buying chips, these criteria had real teeth when they were first written, but with more markets now they are not as strong. Slightly greater than half of Ryegate's chips come from New Hampshire because it's a closer haul for many existing chip contractors, there is an abundant supply of low-grade wood, and the Chip Harvesting Policy regulations don't apply to out-of-state chip sources.

Ann Ingerson asked if ME or NH have standards. In general, Maine has a forest practices act and NH has state laws that address harvesting operations, including: wetlands permitting (much more stringent than VT), a basal area law relating to harvesting along roadsides, requirements for notification of harvesting jobs to state and local government (intent to cut), and a reporting system to account for timber tax issues.

Peter said that biomass has to become profitable for it to remain viable, but it won't happen unless there is a financial incentive for people do to it by valuing 'low-grade material'; the question is how to make that happen.

Ehrhard Frost brought up deer wintering areas as particularly common, and Eric Sorensen confirmed that it is the most frequent issue of the three criteria, partly because wetland considerations are often being made anyway by contractors. It was also noted, though, that although you CAN harvest in a deer wintering area in some situations, there's an impression that this process is restrictive and it scares people off.

Ethan Ready asked if chips that go to schools are mostly local, and Peter said yes because their burners need roundwood chips without the twig and bark you get from smaller trees. Peter referred Ethan to a report that just came out including how our local supply compares to our local demand. Jonathan Wood said local wood for schools is being encouraged.

Jonathan Wood said the biomass related bills have a lot of problems, and focused on #14 that discusses developing procurement standards; Jonathan Wood said it has substance and language problems. The language is too loose, and doesn't allow any environmental compromises at harvest site, doesn't consider long-term productivity, and uses an inaccurate term: "natural regeneration rate." Jamey Fidel and Carl Powden acknowledged the problems, but underscored the long-term benefits of establishing these criteria in some fashion. Jonathan Wood agrees, but says the question is how to avoid uncontrolled biomass harvesting while still remaining competitive with neighbors. Bob Perschel says regional communication with NH, ME, and Canada needs to improve.

- 3. Community Wood Energy Program (federal)** – George Gay talked about the Community Wood Energy Program, which is in the U.S. Senate version of the Farm Bill. This bill has funding available for agriculture and natural resource programs in the northern forest. A coalition formed in 2007 in NH called the Forests in the Farm Bill coalition, and supported several strategies: making sure forestry funding continued, new ways to get farm bill dollars dedicated to forest conservation and protection, and product/industry related activities. One strategy out of the NGO community was the Community Wood Energy program, which authorizes the Secretary of Dept of Agriculture, to develop a wood energy program at the federal level. The program would provide grants to develop plans and implementation of wood energy plans and acquisition or upgrade of community wood energy systems. Funding would flow to states or local governments or designees, and also states or local governments for conversion or implementation of systems in public buildings. The program as authorized by the Senate allocates \$5 million. The coalition understands the Senate version (in conference committee) has the support of Senator Leahy and Senator Sanders.

Lunch Break 12:05—12:50

Panel on Climate Change, Carbon and Forest Policy

1. **Sandy Wilmot (Dept of Forests Parks and Recreation)** – In her presentation, Sandy Wilmot discussed the Governor’s Climate Change Commission Report and Forest Policies. Her powerpoint presentation will be made available online.
2. **Ann Ingerson (Wilderness Society)** – She discussed carbon markets and the publication US Forest Carbon and Climate Change. Her powerpoint presentation will be made available online.
3. **Bob Perschel – (Forest Guild)** – In his presentation, Bob Perschel talked about forest offsets in the northeast, and discussed the publication Climate Change, Carbon and the Forests of the Northeast. He noted that this is an opportunity to advance good forestry practices because many more people now are taking an interest in forests and their soils as they relate to climate change. He noted the most important things in order of importance are: keeping forests as forests, then avoiding poor harvesting practices, and then considering offsets.
4. **William Keeton - (UVM)** – In his presentation, William talked about carbon management alternatives for northern hardwoods, as it relates to the research he has been doing. -- Key points, 1. Forest carbon sequestration is not a silver bullet; 2. Sustainable forest management is one of many strategies; 3. Multiple benefits could happen, such as managing for forests rich in biomass resources and implementing extended harvest cycles while benefiting climate, habitat and water. Bill noted that less than half the carbon harvested from forests for wood products went into any long term storage – the rest goes back to the atmosphere in less than 5 years. Bill also noted that in the 1990s, scientific papers found that growing younger forests faster does not beat older forests in the amount of carbon sequestered or stored, but now certain segments of the industry are trying to bring these issues up for debate again. His powerpoint presentation will be made available online.

Discussion on Climate Change and Forest Policy and Next Steps – Jamey Fidel asked whether the roundtable should try and focus on some of these issues? Jeff Smith said the viability of the industry should come as a priority over future carbon markets and offsets because those things won’t matter if the industry infrastructure collapses; Jeff said he’s never seen the industry in as much trouble as it is now from global competition, housing markets, fuel prices, worker’s comp insurance issues, etc. Carl Powden thinks we should focus more on avoiding deforestation (large impact on climate) than sequestration (less impact) when defining carbon credits.

Hugo Liepmann mentioned an idea to add 2% to the land transfer tax for second homes; Jamey Fidel noted that there is a bill that would do that at the municipal level.

Jamey Fidel closed the meeting, saying that in the next session we need to set priorities for the roundtable.