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**Submitted to the House Committee on Agriculture
Subcommittee on Department Operations, Oversight, Nutrition, and Forestry**

June 3, 2009

Chairman Baca, members of the Committee, thank you for the opportunity to appear today on behalf of the National Association of State Foresters. NASF represents the directors of the state forestry agencies of all fifty states, eight territories and associated states, and the District of Columbia. State Foresters manage and protect state and private forests across the U.S., which encompass two-thirds of the nation's forests, as well as support our federal partners in their efforts.

Private forest lands in the U.S. encompass approximately 495 million acres and provide significant environmental benefits at little or no cost to society. All forests face myriad threats from changes in forest ownership and use, wildfire, climate change, as well as insects and disease. These threats will inevitably impact the ability of the nation's forests to deliver any number of environmental services.

In today's discussion, I will highlight the vital role our forests play as a strategic national resource that will continue to ensure water quality and quantity, provide renewable energy, mitigate climate change and allow wildlife to adapt to new habitats. I will also address the importance of markets for traditional forest products as well as for "ecosystem services" in ensuring that the nation's forests provide environmental services today and for future generations.

Water Quality and Quantity

Water quality has emerged as one of the most important public environmental issues of our time. The availability of sufficient amounts of clean water is critical to communities, agriculture and industry, fisheries, wildlife, as well as wetland and estuarine habitat. In the U.S., well over half of our population depends on water supplies that originate on or are protected by forestlands. Forests are essential in increasing the resilience of watersheds through water storage, soil protection, nutrient buffering and filtering of sediment and other pollutants.

Water quality is an important indicator of how well land is managed. Increasing the ability of private landowners, public forest managers and communities to manage, protect and enhance forests is one of the greatest challenges to restoring and ensuring the future sustainability of clean drinking water and healthy waterways and ecosystems.

State-level Best Management Practices (BMPs) have become widely accepted and understood tools to help minimize soil disturbance, limit sedimentation and leaching of fertilizers and pesticides into nearby streams, provide forested buffers around streams and other water bodies,

and provide guidelines for proper road and water crossing construction.¹ BMPs have relied on both regulatory (i.e. through state forest practices acts) and voluntary (e.g., landowner education and technical assistance programs, third-party certification) mechanisms for their implementation and have been very effective in controlling non-point source pollution when they are properly implemented. Overall implementation and compliance rates are consistently to be quite high.¹

Because regulatory requirements impact the ability of private forest owners to realize value from a working forest, policymakers must consider the economic implications whenever new environmental requirements are entertained. Without considerable forethought, new regulations which place additional burdens on private forest landowners may serve as a disincentive to maintain forest cover and could encourage conversion to non-forest uses (e.g., urban or industrial development) which—in many cases—pose greater risks to impairing water quality in rivers, lakes, streams, ponds and other waterways. Conversely, regulation that helps to establish private and more diverse markets can be an important way of helping forest landowners hold onto their forestland in the face of increasing development pressures.

Renewable Energy

The House Energy and Commerce Committee recently passed their version of the American Clean Energy and Security Act (i.e. HR 2454) on May 21. The bill included a Renewable Electricity Standard (RES) that would require the nation's utility providers to supply as much as fifteen percent of their power from sources such as wind, solar and biomass by the year 2020. Reaching this goal will hinge on whether Congress can craft an RES that does not interfere with the ability of the nation's forests to contribute to renewable energy. Forest biomass will be essential in meeting national goals for renewable energy, particularly in states—such as Maryland—where wind, solar, and other renewable energy options are less viable. Including a broad biomass definition—such as the one found in the 2008 Farm Bill—in an RES will be essential in attracting new investment in renewable energy facilities. In Maryland, for instance, two wood-based bioenergy facilities are planned on the Eastern Shore to meet increased energy demands imposed by an ever-increasing population.

The first anticipated project is Fibrowatt's FibroShore facility which would utilize a projected 50,000 tons of forestry residues alongside 300,000 tons of poultry litter to deliver 40 MW of power to as many as 50,000 homes. FibroShore's sister power plant is FibroMinn located in Minnesota, the first of its kind biomass-fueled facility in North America.

The second project – which is under consideration by the Maryland Environmental Service (MES), a quasi-public entity – is envisioned to need an estimated 80,000 dry tons of forest residues (i.e., bark, chips, tops, limbs, unmerchantable small trees) to produce as much as 10 MW of power annually at the Eastern Correctional Institution (ECI). Given a biomass-fueled facility is a base-load operation – compared to intermittent production, like wind and solar -- it is possible to realize excess generation that could be fed to the PJM grid.

In addition to renewable energy, these two projects will also generate green jobs in areas of Maryland which are experiencing unemployment rates higher than the state average and median incomes below the state average.

¹NCASI. 2008. Compendium of State and Provincial Forestry Best Management Practices.

New markets will provide Maryland—as well as other parts of the nation—with the infrastructure needed to improve forest health and productivity while creating incentives for families and individuals to maintain their forests in forests. Both would also produce measurable environmental benefits including a reduction in harmful greenhouse gas emissions and reduced non-point source nutrient pollution in the Chesapeake Bay.

Limiting the availability of forest biomass by including a restrictive biomass definition in HR 2454 could severely constrain the ability of the FibroShore and ECI projects (as well as other similar projects across the country) to generate renewable electricity credits (RECs) under a federal RES. Removing the possibility of RECs would serve as a disincentive to investment, would likely have a detrimental effect on the economic viability of the projects, and would likely contribute further to the erosion of energy reliability at a time when PJM predicts rolling brownouts and blackouts throughout Delmarva by 2011 and 2012, respectively.

Climate Mitigation & Wildlife Adaptation

National priorities for renewable energy are underscored by global efforts to address a changing climate. Our forests will serve as a strategic national resource in our collective climate mitigation and adaptation efforts. NASF supports a national cap-and-trade program that includes forest carbon offset projects that guarantee reductions in atmospheric greenhouse gases (GHG). Forest carbon offsets offer one of the quickest means of reducing carbon emissions, are highly cost-effective, and provide valuable co-benefits such as clean water, wildlife habitat, clean air and recreational opportunities. State Foresters recommend that eligible offset project types should include afforestation, reforestation, improved forest management, and others such as avoided deforestation to be added at a later date. Early adopters participating in existing regulatory and voluntary carbon markets should be rewarded in order to maintain their current and future interest in supplying emissions reductions.

Forestry projects offering quantifiable emission reductions—but that cannot meet higher standards for offset markets—should be eligible for incentives beyond offsets. Although they may not be able to qualify for offset payments, support for these incentives or other programmatic efforts could come from the sale of allowances for carbon emissions as well as from other sources. We recommend that legislation offer these kinds of incentives to reward forest project types with quantifiable climate benefits—including avoided deforestation—and would designate Forest Legacy, EQIP and other Farm Bill programs as part of a ready delivery system.

NASF supports legislation that includes new and expanded funding for adaptation activities across the nation's federal and non-federal forests. Past proposals have focused climate adaptation funding on federal lands and have omitted opportunities to help fund adaptation activities on state and private forest lands. State forestry agencies—in coordination with state fish and wildlife agencies—help provide forest-based habitats for fish and wildlife (among many other forest-related benefits) in the face of changing climates. Cooperative Forestry Assistance programs can play an essential role in implementing forest adaptation strategies on private forestlands. Yet, with the exception of a very small allocation for the Forest Legacy Program, HR 2454 makes no provision for funding these programs as part of the Natural Resources Climate Change Adaptation Fund. NASF asks that this committee ensure that adaptation funding be allocated to support nonfederal forests as well as federal forests and wildlife needs.

Importance of Markets for Sustainable Forestry

Sustainable forest management is not possible in the absence of diverse, viable and robust markets. The absence of markets results in passive management and deprives landowners of financial incentives for keeping forests as forests. In other words: no markets – no management; no cash-flow – no conservation.

Today, markets exist for traditional forest products and for the “ecosystem services” forests provide. Both have important roles in providing incentives which encourage conservation and for implementing sound forest management and stewardship practices.

Markets for Traditional Forest Products

Markets for traditional forest products (e.g., lumber, pulp, piling, poles) have done the bulk of the heavy lifting as far as providing economic returns to landowners and have helped reward them for keeping forests as forests. Currently, the nation’s forest products industry faces significant global competition creating a situation where U.S. imports of forest products have grown at a faster rate than American exports. Further, the current economic downturn and housing slump have reduced the demand for paper products and dimensional lumber resulting in a loss of traditional markets all across the country. Over the past three years alone, 15 percent of the forest products industry’s workforce—found mostly in our rural areas—has been left without a job as a result of mill closings.

Ecosystem Service Markets

Ecosystem services are the values that forests provide above and beyond the traditional products like lumber and pulp. Important progress has been made in regard to carbon and renewable energy markets under the high-profile urgency of climate change. In fact, the market for carbon is projected to become one of the largest commodity markets in the world. But water quality protection, forest conservation, and habitat conservation programs are also critical ecosystem services that should also have a place in an active marketplace.

In Maryland, the “Bay Bank” is attempting to provide innovative solutions to bridge the gap by offering a basic online market infrastructure to help landowners determine what markets and programs they are eligible to participate in and then generate and market credits for various ecosystem services. Landowners can place different practices on their land; see what types of credits those practices are capable of generating; and the costs and benefits of implementation

and potential income from credits. The multi-state nature of the registry will also assist the

development of regional markets.

Programs Needed to Facilitate Diverse & Robust Forest Markets

NASF strongly supports the new Office of Ecosystem Services and Markets, led by former USDA Forest Service Associate Chief Sally Collins. The leadership role of USDA through this

office will be critical in developing markets which will compensate landowners for the wildlife, water, clean air and carbon storage benefits their forests provide.

State Foresters and the USDA Forest Service should also be involved in efforts to support new markets—particularly for low value materials—and thus helping to correct declining markets particularly at a time when unprecedented global competitive pressures confront the forest products industry and as the nation’s forests are being called upon to address national priorities related to renewable energy and climate mitigation. State Foresters believe it is important to reestablish effective programs that maintain and diversify markets even in difficult budget times. Past programmatic efforts in these areas were not clearly articulated and have lost sight of their intended purpose. New programs could help identify and fund the most innovative projects from around the country which address priority issues in each state, ensure longevity of benefits, maintain and create jobs, and promote the overall goal of improving the prospects for practicing sustainable forestry.

It is also important to recognize the important role of Farm Bill programs in achieving these national goals. NASF sincerely appreciates the leadership of Chairman Peterson and members of the House Agriculture Committee in crafting the Forestry Title of the 2008 Farm Bill. The State Assessments and Strategies specified in that title are critical in developing direction and future appropriations for Cooperative Forestry Assistance programs. Similarly, State Forestry agencies anticipate improved services and cost-share capabilities through the enhanced forestry provisions contained in the Environmental Quality Incentives Program.

I would like to commend Chairman Baca and Ranking member Fortenberry for holding this hearing today and thank the committee members for allowing us to offer our views on the future on the nation’s forests.