Whatcom County Forestry Advisory Committee
5280 Northwest Drive
Bellingham, WA 98226

January 3rd, 2023

Whatcom County Council
311 Grand Avenue, Suite 105
Bellingham, WA 98225

Whatcom County Executive's Office
311 Grand Avenue, Suite 108
Bellingham, WA 98225

Dear Whatcom County Councilmembers and County Executive Sidhu,

The Washington State Department of Natural Resources (DNR) is considering four parcels[1] of state and forest board lands in Whatcom County for inclusion in Phase II of what is known as the "Carbon Project". Whatcom County Staff estimates that these four parcels comprise 1,057 acres, of which 664 are considered operable and available for lease.

Chris Elder, Whatcom County Public Works Senior Planner, has requested that the Forestry Advisory Committee (FAC) provide feedback on the merits of each parcel for inclusion into this program. The FAC evaluated the DNR's description and analysis of the Carbon Project[2], the goals and structure of the Carbon Project in DNR's publicly-facing outreach[3], and other available information. We found that we have several questions regarding the project that would need to be thoroughly addressed before we can offer an educated response.

What are the actual lease areas for each candidate parcel?

Whatcom County provided the FAC with a map of each Phase II parcel to be used in this evaluation process. Unfortunately, neither DNR's data nor the Whatcom County maps delineate the specific operable acres within each outer parcel boundary that would be set aside for the carbon lease. Without this understanding of the spatial characteristics and stand metrics, we cannot provide an informed assessment of the candidate parcels.

What management activities, if any, are permissible under the carbon leases?

The FAC would like to understand the details of these proposed leases so that we may gauge the adaptability of the program to possible future challenges. In the coming decades, management activities in

[1] Referred to as: Maple Creek, Upper Rutsatz, Van Zandt Dike, and Vedder. These are in addition to three Whatcom County Phase I parcels referred to as Anderson Creek, Jones Creek, and Olsen Creek. Note the FAC has not specifically considered Phase I or II parcels in other jurisdictions. A fifth parcel, sometimes referred to as Heislers Creek, has been proposed for inclusion in Phase II and the comments herein also apply. Heislers Creek, located in the Middle Fork Nooksack area, is estimated by proponents to include 360 operable acres on parcels totalling 860 acres.

[2] WA DNR.(October 26, 2022). SEPA Environmental Checklist: Washington Department of Natural Resources Carbon Project. dnr.wa.gov/publications/amp_sepa_nonpro_carbon_check.pdf

[3] WA DNR. DNR's Carbon Project Public and Stakeholder Outreach. dnr.wa.gov/carbonoutreach

these forests may be needed to achieve other objectives that society ultimately deems valuable. For example, treatments to eradicate invasive species may be required to maintain ecological integrity. Thinning projects may be needed to restore forest health. Roads may need to be maintained so that in the event of wildfire, firefighters are able to access active fire zones. If a forest that is set aside for carbon sequestration is damaged in a wildfire, will salvage logging or post-fire replanting be permitted? Without this information, the FAC cannot determine if the DNR has allowed for the possibility of additional priorities that may arise over the course of a forty-year lease.

What are the quantifiable carbon sequestration benefits to setting aside these parcels?

There has been little quantifiable information on how this project is expected to positively impact global climate change nor differ from the net sequestration resulting from existing DNR management strategies. While the FAC acknowledges that the intent of this program is to help in mitigation, the phenomena of leakage has not been addressed.

Leakage is the process by which harvest reductions in one area are offset by increases in harvest in other areas. The Intergovernmental Panel on Climate Change (IPCC) addresses leakage in the forest sector by stating that "reduced harvest may lead to gains in carbon storage in forest ecosystems locally, but these gains may be offset through international trade of forest products causing increased harvesting pressure or even degradation elsewhere".[4] A robust regional carbon sequestration program must consider leakage when determining its effectiveness.[5]

In addition, there is evidence that forests primarily managed for timber production are net positive for carbon sequestration relative to unmanaged forests.[6] The United Nations Food and Agriculture Organization (FAO) observes that "HWP [Harvested Wood Products] production and use has the potential to reduce greenhouse gas (GHG) emissions through direct carbon storage, substitution of non-renewable materials, and increased availability of biofuels."[7]

The FAO goes on to acknowledge that "a large number of studies, across diverse areas and using a range of methods, have indicated that use of HWP can reduce carbon emissions."[7] The IPCC contends that "a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, while producing an annual sustained yield of timber, fibre or energy from the forest, will generate the largest sustained mitigation benefit."[8]

In Washington alone, annual carbon sequestration from the private forest products industry is estimated to mitigate an equivalent to 12% of the State's total 2015 carbon emissions from all sources.[9] Finally, the most recent Environmental Impact Statement (EIS) for the Sustainable Harvest Calculation analyzed

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[4] Intergovernmental Panel on Climate Change. (2022). Working Group III Contribution to the IPCC Sixth Assessment Report (AR6), p.7-84. ipcc.ch/report/ar6/wg3/

[5] Gan, J. & McCarl, B. (2007). Measuring transnational leakage of forest conservation. *Ecological Economics, 64*(2), 423-432. doi.org/10.1016/j.ecolecon.2007.02.032

[6] Oregon Forest Resources Institute. (2020). Carbon in Oregon's Managed Forests. oregonforests.org/node/737

[7] Steel, E.A. (2021). Carbon Storage and Climate Change Mitigation Potential of Harvested Wood Products. 61st Session of the FAO Advisory Committee on Sustainable Forest-based Industries, p.6-22. fao.org/forestry/49800-0812a13ea852655

[8] Intergovernmental Panel on Climate Change. (2007). Working Group III Contribution to the IPCC Fourth Assessment Report (AR4), p.543. ipcc.ch/report/ar4/wg3/

[9] Ganguly, I., Pierobon, F. & Hall, E. (2020). Global Warming Mitigating Role of Wood Products from Washington State's Private Forests. *Forests, 11*(2). doi.org/10.3390/f11020194

carbon impacts from active management on DNR-managed forests. The EIS found that each sustainable harvest scenario resulted in more carbon sequestered than no forest management action.[10]

What are the quantifiable environmental benefits to setting aside these parcels?

One of the stated goals of the Carbon Project is to transfer the "most ecologically valuable forests into conservation status".[3] At this time, there has been no substantial explanation of the immediate ecological benefits that this program would deliver that are not already being achieved through existing DNR policy. The *Sustainable Harvest Calculation*[11], *State Trust Lands Habitat Conservation Plan*[12], *Marbled Murrelet Long-Term Conservation Strategy*[13], and *Policy for Sustainable Forests*[14] were all developed and reviewed under the State Environmental Policy Act (SEPA) with the input of many voices, including scientists. As a result, Washington State is widely recognized as having some of the most robust forest practice regulations in the country.

These regulations ensure that Washington-based timber harvests are among the most sustainable in the nation. But if we reduce timber supply here, it will almost certainly increase harvest elsewhere.[15] The possibility emerges that it could shift to jurisdictions with less stringent regulations. As a part of the review process for this project, the FAC would like the DNR to evaluate where that harvest will shift to and what, if any, environmental effects are expected to result.

The FAC is also concerned that the interaction of the Carbon Project with the aforementioned DNR management plans has not been adequately addressed. Together, the existing policies constitute a "roadmap" to achieving a series of environmental outcomes across state forestlands over the next century. Any additional policies could change the timing and outcomes of the existing plan. It is essential that we understand how this project will overlap, enhance and deviate from this plan.

The SEPA checklist[2] for the Carbon Project does not provide this information. At best, it is a surface-level evaluation of the impacts. It is the FAC's position that this project constitutes a substantive policy change and would require a rigorous review of the effects across all long-term management plans before it can be implemented.

How will this impact the revenue to the trust land beneficiaries?

The DNR has specified that one of the goals of this program is to, "generate revenue for state trust land beneficiaries through carbon markets", but this potential revenue stream has not been quantified.[3] Based on historic revenues from sale of stumpage[16] and current voluntary carbon market prices[17], there is significant potential for loss of revenue to the beneficiaries. Before the FAC can recommend any parcels

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[10] WA DNR. Alternatives for the Establishment of a Sustainable Harvest Level FEIS, Chapter 4. dnr.wa.gov/publications/amp_sepa_nonpro_shc_feis_ch4.pdf

[11] WA DNR. (2019). Board of Natural Resources Resolution No.1560. dnr.wa.gov/publications/lm_shc_resolution_1560.pdf

[12] WA DNR. (1997). Final Habitat Conservation Plan. dnr.wa.gov/programs-and-services/forest-resources/habitat-conservation-state-trust-lands

[13] WA DNR. (2019). Final State Trust Lands Habitat Conservation Plan Amendment: Marbled Murrelet Long-Term Conservation Strategy. dnr.wa.gov/publications/lm_mm_hcp_amendment_formatted.pdf

[14] WA DNR. (2006). Policy for Sustainable Forests. dnr.wa.gov/publications/lm_psf_policy_sustainable_forests.pdf

[15] Wear, D.N. & Murray, B.C. (2004). Federal timber restrictions, interregional spillovers, and the impact on US softwood markets. *Journal of Environmental Economics and Management, 47,* 307-330. fs.usda.gov/research/treesearch/6278

[16] WA DNR. (2021). DNR Annual Report 2021. dnr.wa.gov/publications/em_annual_report_2021.pdf

[17] Voluntary Market Carbon Pricing. Accessed December 12th, 2022. https://carboncredits.com/carbon-prices-today/

for inclusion, the DNR would need to provide an accounting of the expected revenue stream from the carbon leases so that this may be compared to potential timber harvest revenue. The FAC is concerned that a reduction in revenues could result in diminishment of public services provided by the County and its political subdivisions and potentially result in the need to raise offsetting revenues, such as taxes, to maintain existing service levels.

What are the secondary social and economic impacts of taking these lands out of timber production?

The DNR data suggests that up to fifty-six million board feet would be removed from the available land base. For reference, this represents three to four years of raw material supply for Great Western Lumber which is the only mill located in Whatcom County. The FAC sees several possible impacts from the loss of a local timber supply. If not sourced within the county, logs will inevitably be transported from further away which increases carbon emissions from transportation.

Co-located mills and forests are a keystone of local timber infrastructure. In the absence of a locally-sourced supply, a mill such as Great Western could be forced to close its doors. Without the option for timber to be processed within the county, many forest management strategies become impossible to justify economically. Thus, the economic benefits that come from these management activities such as tax revenue, employment of local workers and the multiplying effects from that employment are negatively impacted. The FAC believes that existing economic models could estimate the magnitude and direction of such changes for each of the likely scenarios, but to the best of our knowledge this type of information has not been generated.

In conclusion, the FAC does not have sufficient information to make a thoughtful, reasoned and sound recommendation about the inclusion of the four Phase II parcels at this time. Several of our committee members are experienced land and asset managers and this has informed our opinion that pertinent information is missing. To make a recommendation without this information would be irresponsible. We believe that any prudent asset manager who is tasked with evaluating this project would feel the same.

We suggest the best course of action would be for Whatcom County, as a trust beneficiary, to request data and analysis to address the questions identified above. The FAC would be pleased to review that information or answer any other questions the County Council or County Executive may raise regarding the advisability of the Carbon Project.

Sincerely,

John D. Gold, Chair
Whatcom County Forestry Advisory Committee