

Meeting Notes

Oregon Forest Cluster Economic Strategy Project Core Team

Date: September 22, 2010

Attendees:

Paul Adams, Oregon Society of American Foresters
Scott Aycock, Oregon Solutions (by phone)
John Dunzer
David Hampton, Hampton Affiliates
Bob Ragon, Douglas Timber Operators
Ralph Saperstein, Northwest Pulp & Paper Association
Mike Cloughesy, Oregon Forest Resources Institute (OFRI)
Scott Leavengood, Oregon State University (OSU)
Chris Claflin, OBDD
Gary Van Huffel, OBDD
Matt Krumenauer, Oregon Department of Energy (ODOE)
Garry Lettman, Oregon Department of Forestry (ODF)
Kevin Birch, ODF
David Morman, ODF

Key Points:

1. **Status reports on short-term projects/activity regarding the three areas of the forest cluster economic development strategy**

- a. **Federal Forest Restoration:** The Federal Forests Advisory Committee Implementation Work Group is continuing its efforts to implement the Advisory Committee's state and national-level recommendations. Kevin Birch and Scott Aycock summarized current work by the Working Group around the state to promote and assist local, landscape-scale federal forest land management and restoration initiatives.

The Illinois Valley Landscape Restoration and Market Development Project was a focus of the summary. Priorities are on active management, socially acceptable restoration actions and forecasting of timber and other raw wood product supplies. The process is beginning in January with work on a Declaration of Cooperation. Local environmental organizations are already involved in active management. Rough and Ready Lumber Co. is centrally located in the project area and is also engaged. Other local organizations are lining up to help participate/facilitate. The local project will leverage available resources at the state Implementation Working Group level (Oregon Solutions; Sustainable Northwest Dry Forest Investment Zone Project; GIS analysis by ODF, The Nature Conservancy, and local government). The project is planning to complete its assessment by end of 2011. Southwest Oregon is particularly complex with the number of interests involved.

Discussion: OBDD participation, or at least a contact point, is currently needed in the Implementation Working Group. Forest products industry support and participation is needed for local collaborative work because the industry's strong knowledge of the economics of restoration activities. We need to avoid relying on subsidized restoration work.

The State of Oregon needs to be realistic on what local collaborative groups can accomplish within the maze of national legal and administrative obstacles. Work is being accomplished on the margins but not at the needed large scale. State government needs to be much more vocal that current federal harvest levels, even with successful collaboration projects, is not enough to support remaining mill infrastructure. We are rapidly reaching a tipping point, particularly in Eastern Oregon, where this infrastructure will be permanently lost.

There remains optimism that whenever collaboration helps to avoid litigation, some progress is being made and trust is being built.

b. Forest Cluster Vitality:

IMPLAN Run for Oregon's Forest Cluster: Contracted work is beginning for a new Impact Analysis for Planning (IMPLAN) run for Oregon's forest cluster. ODF is cooperating with OFRI, the Oregon Employment Department, and Associated Oregon Loggers (AOL) on this project. Customized runs that more accurately evaluate Oregon's true forest cluster will be possible. Expect products by Spring 2011. Results will have implications for ongoing discussions about the economic impacts of changes in harvest levels on state-managed forests.

Current Metrics: Gary Lettman reported on current trends within the Oregon forest products cluster. A slow recovery in national housing starts is expected. Log prices are being affected by increased exports of logs to China. Log exports drive up log prices but do not create manufacturing jobs here and Oregon mills must compete for the same logs as they also cope with soft lumber prices. An uptick in 2010 Oregon timber harvests is expected, compared to a dismal 2009.

Mill Power Project: Matt Krumenauer described the new Mill Power Project which seeks to strengthen this segment of Oregon's forest cluster by developing additional renewable energy capability, retaining and creating jobs in the mills and in the forest, and supporting sustainable forest management. The Mill Power Project is a multi-agency/NGO collaboration with the objective to provide strategic financial offerings and technical support to help existing forest products companies pursue the identification, development, and deployment of additional renewable energy production from biomass.

The Mill Power Project Team is made up of the Oregon Department of Energy, Business Oregon, Energy Trust of Oregon and the Oregon Department of

Forestry. The project was developed from the work of the Oregon Forest Cluster Economic Development Core Teams and the Oregon Forest Biomass Working Group.

The Project will be accepting applications in 2011 from businesses wishing to participate. The team is looking for advice to ensure project success. A key issue remains whether utilities will pay higher prices for power. Forest products firms are experienced energy consumers but still learning the ropes on becoming energy producers.

Information on the Mill Power Project and specific timelines, application criteria, and instructions will be available on the Oregon Department of Energy website at: www.Oregon.gov/energy. To discuss this program or ask additional questions, please contact any of the Team leads:

- Oregon Department of Energy – Matt Krumenauer, 503-378-6043
- Business Oregon – Bruce Laird, 541-944-2920
- Energy Trust of Oregon – Thad Roth, 503-445-7632
- Oregon Department of Forestry – John Pine, 541-440-3412 x 141

Discussion: Unresolved issues with the federal Boiler Maximum Achievable Control Technology rule remains an obstacle. The Oregon Department of Energy is engaging with the Oregon Department of Environmental Quality, Western Governor's Association, and EPS on regulatory issues. The Mill Power Project needs to be linked to assessments of available biomass. Everything available on private forestlands is already being used. Cost and technology associated with biomass removal from the forest are also barriers.

2011 Green Building Symposium: A Governor's Strategic Training Fund proposal has been submitted for a 2011 (May?) green building symposium in Portland. The objective is to link Oregon's green building sector with Oregon wood products producers. It was noted Oregon firms were very visible at recent "GreenBuild" conference in Chicago.

- c. **Forestry Workforce:** ODOE reports it has been challenging to obtain employment information for forest biomass activities. The IMPLAN contract cited above will help.

2. December 13 Oregon Leadership Summit

Forest cluster participants were encouraged to attend the Oregon Leadership Summit in Portland on December 13 (<http://www.oregonbusinessplan.org/About-the-Plan/Summits-and-Meetings.aspx>). This year's summit will have less focus on cluster-specific initiatives and more on cross-cluster initiatives. Governor-elect Kitzhaber will be speaking on how he will use the Oregon Business Plan. Afternoon breakout sessions may include on federal forest restoration and forest biomass.

Mike Cloughesy provided a summary of the requested forest cluster input on the Oregon Business Plan Cluster Update Form. This input includes comments on the Business Plan's Core Initiatives as well as highlighted forest cluster initiatives.

3. Status of Governor's Office transition related to economic development

No detailed information is available yet on transition team work specific to economic development. However, we know Oregon Business Development Commission Chair Walter Van Valkenburg is working with the team and John Shelk (Ochoco Lumber), Matt Donegan (Forest Capital Partners), and Russ Hoeflich (The Nature Conservancy) are participating on the transition team to work on forest biomass and forest restoration strategies.

4. Ad hoc private sector Forest Cluster Working Group formation

Following an invitation from Board of Forestry Chair, John Blackwell, an ad hoc Oregon Forest Cluster Working Group has been formed. Currently confirmed Working Group participants include:

Organization	Working Group Participants
American Forest and Paper Association	Paul Cosgrove
American Forest Resource Council	Tom Partin
Associated Oregon Industries	John Ledger
Associated Oregon Loggers	Jim Geisinger
Association of Oregon Counties	Gil Riddell/Ann Hanus
Carpenters Industrial Council	Bill Kluting
Douglas Timber Operators	Bob Ragon
Ecotrust	Bettina Von Hagen
JELD-WEN	Lee Bouck
Northwest Pulp & Paper Association	Kathryn Van Natta
Oregon Business Association	Ryan Deckert/Elizabeth Howe
Oregon Business Council	Duncan Wyse/Jeremy Rogers/Elizabeth Redman
Oregon Forest Biomass Work Group	Chad Davis
Oregon Forest Industries Council	Ray Wilkeson/Chris Jarmer
Oregon Homebuilders Association	Jon Chandler
Oregon Small Woodlands Association	Jim James
Oregon Society of American Foresters	Paul Adams
Portland Wholesale Lumber Association	Mike Burnard
Southern Oregon Timber Industries Association	David Schott
Stimson Lumber Co.	Andrew Miller
Sustainable Northwest Wood	Ryan Temple
Upstream 21	Bryan Gooch Redd
Woodgrain Millwork	Benjamin Barron
Woodworkers District 1 of the IMAAW	Bob Wilson

The purpose of the Working Group is to provide recommendations on how state government can best assist the sector remain viable and globally competitive. This initiative is built the previous work by the Forest Cluster Core Team. A first meeting has been scheduled for the afternoon of January 18 at the World Forestry Center in Portland.

Prior to the January meeting, Working Group members will be asked to complete a short questionnaire by listing the three top strengths, weaknesses, opportunities, and threats faced by Oregon's forest cluster, from their various perspectives.

Key objectives for the meeting are to:

1. Work towards a shared understanding of the highest priority strengths, weaknesses, opportunities, and threats facing Oregon's forest cluster of allied industries and businesses;
2. Learn about work already underway to implement a comprehensive State of Oregon forest cluster economic development strategy; and to
3. Begin identifying and prioritizing specific recommendations for addressing identified short-term barriers and opportunities for a healthy and resilient Oregon forest cluster.

At the conclusion of the January meeting, the Working Group will help decide if and how to continue to refine the recommendations, but current plans are to hold at least one more meeting, probably in February and probably in Portland or Salem. In the second meeting, the Working Group will be asked to also develop specific recommendations for state government's role in implementing the recommendations.

Once finalized, these recommendations will be shared with leadership at the Oregon Department of Forestry, Oregon Business Development Department, Oregon State University College of Forestry, Oregon Department of Energy, and the Oregon Forest Resources Institute. The Oregon Board of Forestry will also be provided with your recommendations with a request that they be forwarded to the Governor and leadership in the 2011 Oregon Legislature.

It was noted the forest cluster discussion must include the importance of maintaining professional forestry expertise within forest management organizations, particularly the USDA Forest Service.

5. "Fill the Gaps" Exercise

The group review progress made on the ten action items discussed last winter. Several of these topics were budget related but, due to predicted budget shortfalls, they have not been included in the five agencies requested budgets for the 2011-13 biennium. Progress was reported on some of the other action items. All of these actions may be revisited during the Forest Cluster Working Group process.

6. Other business

OFRI is planning an update its 2004 *Oregon Forest Sector Contributions and Potential* report in Fiscal Year 2012. The Forest Cluster Core Team may be asked to serve as an advisory committee.

Bob Ragon reported broad support has been received for purchase of the Coos Bay rail link by the Port of Coos Bay. Funding has been secured both for the purchase and for improvements. Reopening of the rail line is expected Spring 2011. This is great news for the South Coast economy.

7. Schedule future meetings

No future Core Team meetings will be scheduled at this time. Attention over the next few months will focus on providing staff support to the Forest Cluster Working Group.