

OREGON WOODLAND COOPERATIVE

March 10, 2008

BRIEF SUMMARY OF ACTIVITY OF COORDINATORS

1. Met with Kurt Spingath of Wilco to discuss the possibility of an OWC "Preferred Provider" agreement with their Coop.
2. Completed discussion of a "Preferred Provider" agreement with Trout Mountain. We hope to have a signed agreement this week.
3. Discussed Ecosystem Service possibilities for OWC members. Scott Zimmerman attended the Western Climate Initiative meeting last week as a representative of OWC which you can read more about below. We will have more information about Ecosystem Services later this week on the OWC website under the "Market Opportunities" tab. www.orwoodlandco-op.com
4. Discussed firewood OWC opportunities with Lyle Purinton.
5. The Oregon Woodland Coop annual meeting is scheduled for May 17th. More details to come.
6. A new computer and Quick Books program were purchased for OWC use. Louis Leatherman, Kent Goodyear and Tom Nygren are working with AKT Financial Services to create a new system of accounting for the coop.

OWC MARKET REPORT 3/17/08

By Scott Zimmerman

This weeks report will not focus on the day to day market for logs and lumber. Instead, it seems to be an appropriate time to begin a conversation between the memberships in regards to potential and real non-timber revenue streams. In particular, the subject of climate change and the present and future economic valuation of a ton of carbon are at issue here. It has been determined that a ton of carbon now has a monetary value, the question is what and how will the monetary value will be determined.

Currently, the policy makers and the marketplace are determining the monetary value of a metric ton of carbon or MTCO_{2e}, where M=metric, T=ton, CO₂=carbon dioxide, and e = CO₂ equivalent. Equivalent in this case refers to greenhouse gases such as CO₂, N₂O [nitrous oxide], and methane.

Whether one believes that climate change is real or fiction and/or whether it is a naturally occurring event or a human created phenomena is not the question here, what is real is that there will be legislation on a federal level at some point in the near future. There is presently a committee here in Oregon as well as like committee's in California, Washington and British Columbia called the Western Climate Initiative [WCI] that is beginning the process of finding a way to determine the value of a ton of carbon and in our case the value of a ton of carbon in regards to forestry and forestry practices. They are also determining what language of the legislation will look like.

So, the question for the purpose of this discussion is not whether one agrees or disagrees with this probable policy that will be implemented, but rather when the policy

is determined, it will dictate that the emission of greenhouse gas emissions be lowered by mandate, and at the same time the mechanisms of the economic function of cap and trade and offsets will be set into motion and become reality. A glossary of terms that helps to understand the lingo associated with this economic plan will be posted late this week on the OWC website.

We will also be posting a summary of the minutes of the last meeting of the WCI committee. The origination of the WCI for forestry came about at the request of the forest industry and the ODF to create language that will advocate that forestry be included in any state policy that will legislate the rules as to who, how and what will be included in the carbon offsets and cap and trade between emitters and absorbers of CO₂. The committee is careful to include a wide selection of the vested interests in this process. It includes industrial forestry, academic institutions, non-profits for conservation efforts, manufacturers, the state agencies involved in all levels of the forest industry and the small woodland owner. In these minutes you will see a list of names and organizations that make up what is called the “core group”. The “core group” consists of approximately 17 organizations that will have the vote by consensus what will be submitted to the legislature. The Oregon Woodland Cooperative is on this list. Therefore, the membership has a voice and say so in determining policy through the Oregon Woodland Cooperative.

The global carbon market in 2005 was \$10 billion. That same market in 2007 was worth \$60 billion. The US has a voluntary offset market as we can't participate in the global cap and trade market yet because the US did not sign off on the Kyoto Protocol which mandates in the countries that did sign up to lower their emission emissions or cap their emissions to not exceed a certain level. Our voluntary offsets market is a transitional market that will likely become the cap and trade market when federal legislation is enacted. It is also quite possible that the West Coast, based on the leadership taken in California with mandated emission caps that are in the form of Bill number AB32 and the leadership of Oregon's governor to establish a mandatory cap and trade scheme, will have a legislated financial incentive program before the federal government enacts its legislation. Right now an offset in Oregon is worth approximately \$10/MTCO_{2e}. The estimated and projected worth of a ton of carbon under cap and trade in the near future is between \$50/MTCO_{2e} to \$100/MTCO_{2e}. These dollars per ton are also calculated based on what is called additionality. In other words, additionality in this case has been defined as the ability to sequester or store carbon that is above and beyond the ability that would have happened on a normal every day basis. “Business-as-usual” could be described as what is allowed by law. So, industry here in Oregon adheres to the state laws but does not, for the sake of cost of doing business, try to raise the bar on forestry practices such as increasing rotation age to 80 years on the average in a forest. The industrial model is forever trying to lower the age rotation of harvesting for the obvious reasons. Simply, the bigger the tree [up to a point] the more stored carbon by volume. The issue is more complex as you might imagine that what is described here, but for the beginning of a discussion between us, keeping it simple at first I think is wise. As we move farther along in this discussion, we can become much more in-depth a verbally precise as to the science, economics, and politics.

Climate change is not just an energy issue; it is also a land use issue. Deforestation on a global scale is responsible for 20% of all atmospheric greenhouse gas emissions. Oregon's forests have added wood fiber in the last 20 years while at the same

time increased development of land for infrastructure. The quality of that added wood fiber for the sake of this discussion is part of the debate. Monoculture and GMOs do not necessarily increase the maximization of carbon sequestration as well as other co-benefits such as water filtration and other issues. This will become part of the debate here on a regional level. Small woodland owners because of their relationship to the land that is varied some from industry is one reason of many reasons why small woodland owners have such a large stake and therefore a seat at the table in regards to determining policy. Small woodland owners comprise 17% of the total ownership of Oregon's forests. Industrial woodlands comprise 16%. The state is approximately 10% and the rest is federal. So as one can see, the small woodland owner is a large constituent when it comes to harvestable timber for the lumber industry in the state of Oregon.

Shortly, the coordinators will be asking the membership for their opinions on the matter at hand on a group and person to person basis. We will want not only an opinion, but direction from the membership on a consensus basis as to what you would like to see happen. We will also be educating those that may not already have quality knowledge in this area so that intelligent decisions can be made. We as the coordinators will offer to be the project aggregators for the membership should the membership feel that the coordinators have come up with a make sense plan.

Please feel free to call your coordinators to ask questions, state opinions, relay comments and so on. Please feel free to use the website to relay some of those issues. That is in part a major purpose of the website. It is meant to be interactive for the membership. We thrive on your feedback on this and any other issue. We are here to serve your wants and needs. It will work but we need the membership to become engaged for your coop to work.

With warm regards to all,
Scott Zimmerman, coordinator for marketing

[Back to Home Page](#)