Oregon Forest Cluster Recommendations Summary
July 25, 2008 Draft

The following summary of Trends, Strengths, Challenges and Recommendations for Oregon's forest cluster have emerged from conversations with key cluster executives and previous work including the 2007 Oregon Business Plan Oregon Cluster Resource Guide, the 2007 Oregon Leadership Summit Federal Forest Health Initiative, the 2006 Forest Cluster Initiative for the Oregon Business Plan, Oregon Innovation Council, OFRI Oregon Forest Cluster Analysis Report, the Oregon Board of Forestry's Forest Vitality Work Plan, etc.

This draft of the Oregon Forest Cluster Summary groups the recommendations and proposed actions from all of the sources listed above according to categories developed in the OFRI Oregon Forest Cluster Analysis Report and identifies a few short-term recommendations to move forward.

I. Trends

- Global competition (e.g., lumber and panels from Brazil/South America, paper mills and furniture manufacturers to China)
- Potential growth in carbon markets and in the utilization of woody biomass as a source for alternative energy and bio-based products
- The market for wood products is going "green," with increased demand for certified wood for green buildings and sustainable forest practices
- Some other regions of the world are moving to genetically improved fiber plantation models
- Forest health crisis on federal forestlands
- Advanced technology in manufacturing
- Expanding global market opportunities
- Innovation driving productivity gains in large-scale automation.
- Next generation wood product—VTC wood (Viscoelastic Thermal Compression)
- Potential applications using nanotechnologies

II. Oregon Strengths

- Stable wood products employment level – declining at 1.1 percent per year 2001-2006, compared to a national decline in wood products employment of 6.2 percent
- Oregon's concentration of wood products jobs is more than 3 times the national average concentration in 2006 (LQ = 3.09).
- The largest softwood lumber producer in the country
- Solid wood products, high wood quality
- Innovative engineered and composite wood products
- High environmental standards
- Modern harvesting practices and innovative manufacturing
- Best forestry school in the world (OSU)

III. Oregon Challenges

- Untapped capacity on federal lands:
  1. Federal policy and continued conflict over purposes and management practices on federal forests limit access to trees for lumber, biomass, plywood, panels, and pulp and paper and creates growing vulnerability to fire, insects and disease
  2. The lack of a social contract between the federal government and the people of Oregon, exhibited through the loss of timber harvest revenues and subsequently Secure Rural Schools and Community Self-Determination Act payments, threatens the viability of Oregon's economy and many Oregon communities
- Loss of processing infrastructure in Central and Eastern Oregon
- Increased value of Oregon's forestland for non-forest uses
- Getting utilities to pay an acceptable price for biomass energy
- Rising transportation costs and inadequate transportation infrastructure--especially short-line rail
- Regulatory instability and costs (related to chemicals, water and air quality standards, ESA, NEPA, storm water, etc.)
- Aging workforce, lack of reliable workers interested in logging. (High schools and community colleges have cut forestry programs.)
- A weak US dollar and higher energy costs
- Wildfire risks to forest cluster investments

IV. Recommendations

A. Federal Forest Restoration

Health of federal forests has been recognized as a major Oregon forestry issue. Improving forest resilience to drought, fires and insects through active management of federal forestlands has the potential to create economic and social opportunities while improving environmental conditions.

Recommendations in this category include:

- Support Oregon Board of Forestry's Federal Forestlands Advisory Committee's work and encourage action on their recommendations.

- Widely communicate Oregon forest health and economic vitality as a priority of the Governor and the State of Oregon including the Economic and Community Development and Forestry Departments.

- Work with congressional leaders to increase US Forest Service and Bureau of Land Management funding for priority landscape forest restoration projects as an investment in future reductions in fire fighting costs, resource loss, and carbon emissions.

- Encourage increased capacity of federal agencies to conduct land management activities through increased funding and streamlined processes.

- Ensure that restoring forest conditions and improving their resilience is identified as a priority in federal forest plans for management of these forests.

- Encourage increased thinning for fuels reduction under Healthy Forests Restoration Act using Categorical Exclusions, where applicable, and coordinating with Community Wildfire Protection Plans to identify projects in the wildland urban interface that could make use of community forest protection funds.

- Encourage use of Coordinated Resource Offering Protocol (CROP) to identify and communicate potential restoration and timber sale projects.

- Encourage and support local collaboration efforts to build trust and move ahead on federal forest restoration work. In the short term, gather information from eastside primary and secondary mill owners to identify immediate problems, needs for investments and how to make them happen. Also gather information from conservation groups to clarify the type of projects they support to improve forest health.

- Explore a role for the state of Oregon to implement federal plans, policies and projects, recognizing it is in the state's interest to address federal forest/private forest interface issues with respect to fires, insects, and diseases.

B. Market Leadership

A goal for the State of Oregon should be to create and maintain a favorable investment climate for environmentally sensitive, socially responsible, and globally competitive forest-based businesses throughout Oregon that will generate high quality, value-added products; high quality, stable employment; and increased export capacity.

Recommendations on this topic include:

- Identify and resolve "tipping points" related to rising regulatory costs and other economic factors that could lead to the conversion of forestland to other uses or reduce investments in long-term forest management.

- Explore ways to improve forest sector competitiveness and to increase synergies between the forest sector, higher education and other Oregon business sectors.

- Promote Oregon family-owned forest cluster businesses by recognizing the important and unique roles they provide, and addressing the unique challenges and opportunities they face.

- Identify additional opportunities to increase environmental, social, and economic outputs from all of Oregon's forests including federal and family forestlands.

- Explore ways to increase the value/volume ratio for Oregon wood by increasing the manufacture of value-added products.

- Explore the implications for future forest cluster development resulting from the loss of short-line rail and other transportation infrastructure and from rising fuel prices. Link to the state's broader transportation initiative. Also explore technological opportunities to reduce transportation costs.

C. Improve Non-Timber Economics of Private Forests

A major Oregon forest policy goal identified in the *Forestry Program for Oregon* is to keep working private forests from being converted. Achieving this goal in a global economy with an expanding population, where the value of forestland for development is often greater than its value for timber production, will require development of incentives to enhance the economic viability of working forests. This is also a critical component of maintaining a sustainable forestland base, consistent with the vision of the Board of Forestry's *Forestry Program for Oregon.*

Recommendations in this category include:

- Explore opportunities to benefit from "carbon credits." Include recognition of existing forest management practices and forest products in calculating tradable monetary carbon credits.

- Develop mechanisms for voluntary purchase or donation of conservation rights.

- Promote the development of Ecosystem Services Markets tailored to diverse forests and landowner interests.
- Promote dispersed recreation opportunities on public and private forestlands.

D. Woody Biomass for Energy, Biofuels and Bio-products

Oregon has made significant strides in becoming a national leader in using woody biomass to generate renewable electric energy and transportation bio-fuels to help meet Oregon's renewable energy and carbon emission reduction goals. The state has established a Renewable Portfolio Standard and a Renewable Fuels Standard and a very strong Business Energy Tax Credit.

There is still much to be done in ensuring a stable supply of woody biomass, particularly from federal lands. Recommendations in this category include:

- Promote research and development of Oregon's potential to produce biofuels and bio-products from woody biomass.

- Encourage the development of biomass inventories and 15-20 year supply assurances for federal forestlands in eastern and southwest Oregon.

- Encourage federal land management agencies to use available authorities to fully implement forest health and contracting initiatives to ensure adequate and predictable supply of forest biomass.

- Promote state and federal laws and policies which provide economic incentives for biomass energy industry development.

- Work with the Oregon Congressional Delegation to secure funding and other economic incentives for biomass energy industry development.

- Explore the potential for increasing production of "industrial-grade" wood pellets from forest derived woody biomass.

- Develop stronger partnerships with utility companies to promote greater use of biomass energy.

E. Wood Innovation and Forestry Research

The OFRI Forest Cluster Analysis identified continued innovation and forestry research as an important factor in sustaining Oregon's forest cluster. Recommendations in this category include:

- Promote funding of the Oregon Wood Innovation Center at OSU to expand research and development of improved products, processes and markets for wood and to assist Oregon's forest landowners in making connections to local and regional mills and markets and state-of-the-art wood production technologies.

- Promote full funding for paired watershed studies (such as Hinkle Creek, Trask and Alsea) by the Watersheds Research Cooperative to scientifically document the environmental effects of modern forest practices, especially those on water quality, native salmonids and aquatic ecosystems.

- Promote increased funding for integrated research programs that directly benefit forest landowners through improved management systems and technologies. Prominent among these are OSU Initiatives in (1) Forest Ecosystem Health and (2) Center for Intensive Planted-forest Silviculture.

- Fund OSU Wood Science and Engineering research in nanotechnology to keep Oregon globally competitive. Explore partnership with Oregon Nanoscience and Microtechnologies Institute (ONAMI) educational institutions and industry. Promote the inclusion of forest products and processes in the nanotechnology research agenda of ONAMI. Promote forest nanotechnology research leadership with OSU and cooperating institutions.

F. Green by Design

Recognition of wood products as environmentally preferred building materials is a tremendous opportunity for Oregon's forest products and green building sectors. One of the key accomplishments in this area has been the development and funding of the Bio-Economy and Sustainable Technologies (BEST) Center to focus on research opportunities in bio-based products, clean energy, green building and green development. Funding for the BEST Center needs to continue.

Much has also been done to turn Oregon's high environmental standards into a competitive advantage by recognizing the environmental contributions under Oregon's Forest Practices Act. Increased recognition of the Forest Practices Act is needed.

Recommendations in this category include:

- Promote continued peer-to-peer dialogue and education between Oregon's forest products and architectural/engineering communities, including the UO School of Architecture, the OSU College of Forestry, and BEST.

- Strengthen relationship and promote dialogue between Oregon's forest sector and "green building cluster."

- Promote the use of inclusive sustainability and green building certification standards that maximize recognition of Oregon grown and manufactured wood products.

- Seek recognition of Oregon Forest Practices Act as meeting the criteria identified in forest and green building certification programs.

- Promote wood as an environmentally preferred building material through public education on comparative energy, water use and carbon storage in the life cycle of various building materials.

- Promote forest certification pilot projects on Oregon public forests.

G. Forestry Workforce

The aging forest cluster workforce and a lack of interested and qualified job applicants have led to increasing gaps between demand and supply of workers in professional forestry, wood products manufacturing and logging.

Recommendations in this category include:

- Increase job security in the forest products industry by providing dependable supplies of raw materials.

- Communicate with high school teachers, counselors, students and parents about the career opportunities in the forest cluster.

- Work with community colleges to develop training programs for emerging and traditional jobs in wood products manufacturing and logging.

- Work with high schools to develop appropriate forestry education programs for students who want to pursue university/community college education or enter the workforce directly from high school.

- Support increased state investments in forestry, business and engineering degree programs at public universities to increase the supply of job-ready, adaptive professional graduates.