

**The Future of Washington Forests**  
**Roundtable Discussion – October 30-31, 2006**  
**University of Washington, Seattle**

**ROUNDTABLE DISCUSSION SUMMARY**

Introduction

The Future of Washington Forests Roundtable discussion was held at the University of Washington Center for Urban Horticulture in Seattle on Monday and Tuesday, October 30-31, 2006. The Roundtable was convened by the University's College of Forest Resources and the Washington State Department of Natural Resources (DNR) as an element of the legislatively-directed Future of Washington Forests project. In 2005, the Washington Legislature appropriated \$1 million to DNR to work in partnership with the College to conduct studies and prepare a report on several topics related to the future condition of the State's forest lands and forest industries, and the prospects for retaining working forest lands in the Cascade foothills. Research teams at the College have been working since late 2005 to develop preliminary findings, and have prepared three progress reports, in March, July, and October, 2006. The Roundtable offered an opportunity for the study teams to present these preliminary findings to a diverse audience of about 50 industry, landowner, community, government, and citizen group leaders. Those leaders were then able to identify any important unasked study questions, significant omissions, mistaken assumptions, analytical flaws, or unsupported findings. Finally, all participants engaged in a robust discussion of the implications of the findings and the key public policy issues the studies raise.

This document summarizes the general content of that discussion. It does not summarize the study findings presented at the Roundtable. Streaming video of the presentations, as well as the presentation materials and Progress Reports, can be found on the following websites: ([www.nwenvironmentalforum.org](http://www.nwenvironmentalforum.org) [www.ruraltech.org](http://www.ruraltech.org) ) These records of the Roundtable are intended to inform interested parties not present at the Roundtable, and especially to help prepare for further policy-oriented discussion at the College's upcoming 3<sup>rd</sup> Annual Working Forests Forum, in Blaine, on November 20-21. A brief 4<sup>th</sup> Progress Report to follow the Roundtable will be available for the Forum. The DNR will summarize project findings and recommendations in a Report to the Legislature in January, 2007. The technical studies will continue to be refined during the first half of 2007, with final technical reports due by June 30, 2007.

Technical Studies Presented

Presentations on the following technical studies were made at the Roundtable:

Study 1: Timber Supply and Forest Structure, Study Principal Investigator: Bruce Lippke.

Study 2: Competitive Position of Washington's Forest Products Industry, Study Principal Investigator: Dr. John Perez-Garcia.

Study 3: Economic Contribution of the Forestry and Forest Products Industries in Washington State, Study Principal Investigator: Dr. Ivan Eastin.

Study 4: Forest Land Conversion in Washington State, Study Principal Investigator: Dr. Gordon Bradley with Ara Erickson. Subconsultant: Michelle Conner, Vice President-Cascade Agenda, Cascade Land Conservancy.

A fifth project study, relating to return on investment methodology for Washington State-owned trust lands, is in process and was not presented at the Roundtable, but will be included in DNR's report to the legislature.

### Discussion Summary

Roundtable participants engaged the study team members in lively question-and-answer exchanges, heard prepared responses to the study presentations from several invited experts, and discussed the study ramifications among themselves for several hours over the course of the two-day event. Discussions continued informally over shared meals.

This summary does not provide detailed "minutes" of the discussions, or attribute specific comments to individual participants. Instead it attempts to glean the principal topics and themes of the discussion. It is, however, based on a detailed transcription of the discussion. An effort has been made to include in a general way all major points made by all participants. The "major topics" below are all inter-related both in general and in their specific components, and those components could be differently categorized. DNR staff are responsible for the organization and specific content of this summary.

Major Topic: Eastern Washington Forest Health Crisis

A major portion of Washington's future timber supply is threatened by unprecedented outbreaks of pine beetles and other forest insect pests and diseases, especially in dense, overstocked stands typically resulting from past forest management and fire control. Outbreaks are killing record numbers of trees, driven in part by a combination of dryness and high summer temperatures. The resulting unhealthy forests are then prone to catastrophic forest fires. In addition to consuming valuable trees and forest habitat and endangering local public health and safety, these un-naturally large wildfires release large amounts of CO<sub>2</sub> and carbon particulates into the atmosphere, potentially contributing to climate change. The situation is quite variable but covers large areas across forested portions of eastern Washington.

Several aspects of this situation drew comments. Various treatments of thinning and controlled burning are generally held to be helpful in improving the vigor of remaining trees, controlling spread of the insect pests, and reducing the likelihood of large fires. There are several limitations on our ability to implement these treatments. Both public and private landowners face limits on their ability to conduct widespread thinnings on the scale that's needed. National Forests face both budget and public acceptance problems.

Private lands face cost problems. Although the avoided wildfires and skyrocketing fire suppression costs are substantial, those costs are born by the state general fund and pooled landowner assessments, and so savings aren't felt by specific landowners who would undertake treatment costs. Markets for small-diameter wood from thinnings are weak, as sawmills aren't geared for this material, or are facing shutdowns based on anticipated reductions in commercial timber harvest from all eastern Washington landownerships. Other potential markets for small-diameter thinnings, such as the pulp market, are not close to eastern Washington forests. A biofuel market is technically feasible, but not yet fully developed. And carbon trading markets are in their infancy.

Roundtable participants agreed that a sense of urgency needs to be conveyed to policymakers about this situation. Solutions are likely to be multi-faceted and require both public and private action, and collaboration by all stakeholders. For example, if acceptable and necessary forest health treatments are to occur on national forests, this must be agreed to by a broad coalition of local community interests, environmentalists, tribes, state and federal agencies, landowners, and processors. State trust lands are also capable of contributing more to this solution. The Yakama, Colville, and Spokane Indian Nations will be critical partners. For private lands, a combination of market and non-market incentives may be needed, including incentives for processing infrastructure. Another support mechanism might link treatment benefits to costs by adopting avoided cost accounting, leading to compensation for removal costs, thus giving a financial incentive for treatments to avoid wildfires. A carbon credit trading market may also be most effective in influencing forest management in this area of avoiding large wildfires.

The Washington Forest Health Strategy Work Group, created by 2004 legislative direction, produced a report which, along with DNR's accompanying Strategic Plan for Healthy Forests, received public review in a series of public meetings in 2005. Legislative and budget proposals now await legislative consideration. Roundtable participants agreed that these and other measures should receive priority attention.

#### Major Topic: A Stable and Competitive Timber Supply

A primary purpose of the Future of Washington Forests project is to develop new timber supply projections to replace outdated and erroneous projections from the '90s. A focus of the study work to date has been to try to understand the emerging supply uncertainties, so as to avoid the errors of the previous work and not make predictions with false confidence. Nevertheless, Roundtable participants stressed the need, consistent with legislative direction, to follow through with reasonable projections, by region and landownership category, with alternative scenarios and caveats for uncertainty.

There was also interest in the degree to which the traditional industrial owner category could be differentiated from the large institutional owner category that has emerged recently. The data available to the study team has so far not allowed this. Participants also noted the difficulty in a single distinction between "large" and "small" ownerships.

A prominent subject of discussion was to understand the cost and risk of producing the timber supply for Washington State producers, especially to permit comparisons with other states and regions, such as Oregon and the SE U.S. This will help in evaluating the competitiveness of Washington timber in global, U.S., and Washington State markets.

A major element of the cost of timber supply discussed by participants is forest practices regulations, such as the recently enacted Forests & Fish riparian buffer requirements. Major questions centered not so much on the appropriateness of the negotiated outcomes intended by these regulations but on the degree of flexibility with which they are implemented, and the likely degree to which landowners large and small will be able to realize the theoretically allowable degree of timber removals from the buffers. The answer to this question has implications for timber supply, competitiveness, small landowner financial survival, and achievement of intended ecological restoration objectives in the riparian areas. Participants also acknowledged the important salmon and other ecological goals underlying the negotiated rules, and the pragmatic necessity for all parties to accept some degree of uncertainty of respective outcomes. Solutions mentioned included expanded programs of compensation to owners of small parcels, and development and utilization of agreed-on templates for alternative entry regimes that maintain overall objectives but with greater landowner flexibility.

Participants asked for expanded treatment of state and especially federal tax effects on landownership and timber production, as another component of the comparative cost of timber supply. Study teams determined to try to develop this further.

Besides cost, Roundtable participants, especially those representing timber manufacturers, emphasized the importance of stability of supply from timber lands of all ownerships. Given concerns about the stability of supply from some ownerships, such as small ownerships and national forests, attention focused on corporate, state trust, and tribal forest lands with established and predictable sustainable management programs.

Finally, there was considerable discussion about the need for a “social contract” to secure a stable and competitive timber supply, beyond the question of regulatory compliance. “Right to practice forestry” laws were mentioned on one side of that social contract. Long term commitments to continue to practice socially responsible forestry rather than converting to development were mentioned on the other side. One aspect of social responsibility that was mentioned is allowing public recreational access.

Major Topic: Retention of Timber Processing Infrastructure

Roundtable participants widely agreed on the central importance of the lumber, pulp and paper, and plywood mills and other components of the processing infrastructure in Washington State. This central focus exists in both western and eastern Washington. Processors are the link between demand at every geographic scale and supply from Washington forests. They are the principal source of the economic value of the timber supply realizable by landowners of every category, including in the urbanizing Puget Sound region. They are the major source of the jobs and tax base critical to local

communities, especially in coastal and southwestern Washington. This forest manufacturing sector is essential to all forest management goals, including increasing forests' structural complexity, health, fire resistance, and biodiversity, by providing a market for thinnings and bug-killed timber. The lack of a market for these products undermines the economic rationale for active management. Washington's processing infrastructure is in transition, with smaller, older mills closing and larger modern mills opening. The feasibility of siting new mills and/or modernizing existing mills, along with cost and stability of supply, is the key to attracting new investment to shape the future of Washington's timber industry and the economic viability of the State's working forests. There was considerable discussion among participants about the respective contributions of sawmills of various sizes, pulp and paper mills, plywood mills, oriented strand board mills, alder mills, and cellulosic biomass processing facilities producing ethanol and biodiesel. While there was recognition that Washington State has the potential to remain attractive to investment in processing infrastructure, we also have the potential to drive that investment away, as some other states are perceived to be doing. The "social license" needed by working forests needs to extend for the mills as well.

A secondary theme on this topic was the importance of growing the skilled workforce of the future, for work in the woods, in transportation, and in mills of all kinds. A decline in forestry professionals was touched on as well.

#### Major Topic: Management Regimes and "Desired Future Condition" of Forests

A complement to the Roundtable interest in timber supply is a concern about what kind of forest management and harvest methods produce that supply, and what kinds of forest conditions will result from those methods over time and across landscapes. This is of interest on all landownerships, east and west, large and small, private (including tribal) and public. The results of forest management decisions will determine the pattern of biodiversity across our forested landscapes, landowners' ability to meet the expectations of state and federal regulatory mechanisms such as riparian rules and habitat conservation plans, and the kinds of forested surroundings our growing communities experience.

A critical aspect of this issue is the degree to which landowners will implement thinnings as part of their forest management methods. Pre-commercial and early and late commercial thinnings have been assumed to occur in past timber supply projections, and they are promoted as the key to restoring today's vast areas of dense overstocked forests to a trajectory toward more healthy complex forest structure. There was uncertainty expressed at the Roundtable about the degree to which landowners have in fact been undertaking these thinnings and what current plans are for the future. Various beliefs were discussed, as well as ideas about important incentives and disincentives for different categories of landowner. Participants gave central importance to the presence or absence of a market for the small-diameter wood resulting from these thinnings, as well as the practical ability to accomplish thinnings in riparian buffer areas.

Some ability to reasonably predict the forest management behavior of large and small private landowners is critical to our ability to predict what Washington's future forests will look like and the ecological, social, and economic values they'll provide.

Major Topic: Landownership and Land Use Changes on the Urban Fringe

Day two of the Roundtable was devoted to the "working forest conversion" issue, and participants discussed many aspects of this. Three major themes of this discussion were the anticipated trajectories of landownership and development in urbanizing areas and the influences on those trajectories, the market for development rights or other full fee or partial ownership interests on these lands, and the opportunities to reduce the "footprint" of inevitable development in rural and resource lands.

Regarding trajectories, there was discussion as to the most critical stage for land moving out of commercial production and development becoming inevitable. Does this occur as industrial land is sold to investment owners, as rural or resource land is "parcelized" into 20, 40, or 80 acres parcels, as those parcels are sold to new owners, when a critical mass of development has occurred in the "fragmenting" landscape, when a zoning or infrastructure change occurs, or when a developer actually purchases a parcel and begins the development process? Different incentives and disincentives might be brought to bear at each of these different points.

Considerable discussion occurred about marketing development rights, through purchase or transfer programs, using conservation easements or some other legal mechanism. Distinctions were made between working forest lands at near term risk of conversion due to zoning and nearby development and lands with longer term risk subject to the possibility of initial parcelization. Various opinions exist about the relative priority of these kinds of areas. Discussion also touched on the various traditional or novel means of financing market transactions related to avoiding conversion and who the players might be, and how complex transactions might be most successfully structured. Roles for traditional financial investors, land trusts, conservation groups, tribes, and government were mentioned. Incentives for higher density development in existing urban areas to stimulate markets for development rights transfers were discussed. Financing schemes introduced in the study presentations were discussed. Landowner representatives discussed their reticence about permanent relinquishment of development rights when regulations, processing infrastructure, and social license related to forestry are uncertain. The need for education of county land use officials was stressed.

In the end, participants acknowledged that growth in the region is inevitable, including in eastern Washington, and managing the physical and conceptual boundary between working forests and "real estate with trees" would be critical. Examples were given about clustered development and "rural villages", and how to influence the local government land use process to make these options more viable. The "right to practice forestry" came up in this context also, more as a factor enabling small parcel owners to remain in forestry than a major influence on regional timber supply.

Piloting creative and possibly complex ideas was encouraged as a means to start gaining the necessary experience to deal better with conversion pressure on working forests.

Major Topic: New Markets for Forest Products and Services

A spirited discussion took place throughout the two days of the Roundtable about the viability and influence of various new and/or niche markets for traditional or novel forest products and services, with a wide range of viewpoints supported. Discussion ranged from ways to provide a greater and more valuable supply of alder from the best hardwood-growing sites, to the prospects for bioenergy and biofuel processing facilities being available on a scale to handle increased volumes of thinning in eastern and western Washington, to the chances for a real market to develop for tradable carbon credits that might recognize and bid on sequestration in forests and forest products, to the future for quality branding based on either management practices or geography. In general, quality enhancement was compared to cost containment as business strategies.

Participants do believe more attention should be paid to the hardwood market, commensurate with real market demand.

Many participants believe there will shortly be a practical forest biofuel market, as the technology currently exists and demand is increasing.

Most participants don't hold out much hope that branding will ever be a major factor in a global wood market, but some believe Washington's stringent regulations could be translated into an attractive brand nationally, and some believe that a Washington State market could develop for "Washington grown" wood, similar to the case for agriculture.

The widest range of opinion occurred with regard to the hopes for a real carbon market. Some believe Washington's forest industry may be missing the boat by not participating more prominently in current local, regional, and national discussions about a carbon market, and that definable forest projects could be a comparatively low cost carbon emission offset product in a real market. Others are skeptical that a market will develop soon that will actually provide net positive incentives to forest. The Roundtable contained both "early adopters" and "followers." Some agreement existed that avoiding major wildfires through forest health treatments might be the most unambiguous contribution from forest lands, but that a tradable credit in this case faces definitional problems. There was also agreement that the forest sector should be making its views known in carbon-related discussions in both public and private spheres.

All these new or niche market mechanisms were discussed in the context of the availability of new sources of income to forest landowners, to help support management costs and preclude decisions to sell forest land.

### Cross-cutting Theme: The Need for Improved Information

In the course of discussions on the major topic areas, the theme of information adequacy came up repeatedly. Some variations on this theme included the need to follow through on the current Future of Washington Forests studies, find funding for further studies that may extend the current project in promising directions, the promise of LIDAR and similar new means of remote sensing to provide more accurate forest inventory information, the cost of valuable new information and who should bear those costs, government's and higher education's responsibility for developing and disseminating new information, the critical role of sound scientific underpinnings for policy and management proposals, the need to understand scientific uncertainty, and the value of general public education or education directed at specific segments of the population.

### Cross-cutting Theme: The Need for Collaboration

Throughout the Roundtable multi-stakeholder collaboration was repeatedly referred to as the most viable means of reaching durable decisions on complex issues related to working forests. Washington State has a strong history of such collaborative work, as evidenced by the Forests and Fish process, among others, and perhaps including the Roundtable and Working Forests Forum themselves. Particularly, a unified voice in the state legislature and Congress was stressed as a prerequisite to dealing effectively with the complex issues presented to the Roundtable. Cooperation among the diverse Roundtable participants was held out as a necessary and feasible means of moving discussions toward actual solutions. Ultimately, a shared sense of urgency around multiple goals is thought to be a critical factor.

### Conclusion

Each participant at the Roundtable discussion no doubt came away with a distinctive impression about the major points discussed and what was agreed on or not agreed on. For example, late in the second day's agenda a definition was offered for "working forests" that included the concepts of a financially viable and competitive investment climate, periodic harvest of forest products, a stable and predictable regulatory environment for management, a recognized right to practice forestry, the landowner's right within legal constraints to choose alternative land uses, and the community's opportunity to offer landowners compensation or incentives to voluntarily provide public benefits. Many may share this definition; some may not.

While the Roundtable discussion was lively and thought-provoking, it needs to progress beyond general goals and commonly shared policy objectives, and turn to specific leverage points and policy tools likely to be effective in achieving those objectives. The Working Forests Forum on November 20-21, 2006 will provide an opportunity for that more targeted work. This summary is intended to provide part of the transition from the Roundtable and the study's 3rd Progress Report to the Forum work and further study products, all in preparation for legislative deliberation in 2007.