

Meeting Notes

Subject: Forest Cluster Core Team

Date: September 24, 2008

Attendees:

Mike Cloughesy, OFRI
Chris Knowles, OSU
Karen Goddin, OECDD
Chris Clafin, OECDD
Gary Lettman, ODF
David Morman, ODF

Guests:

Dana Shannon, OECDD
Chris Jarmer, Oregon Forest Industries Council
Courtney Warner, OECDD
Amanda Lowthian, OECDD

1. Status report on the OSU established industries grant proposal to the Oregon Innovation Council -- Chris Knowles
 - At its October 3 meeting, the full Oregon Innovation Council is expected to ratify its *2009 Innovation Plan* and recommend inclusion of the OSU established industries grant proposal for the forest cluster in the Plan. The forestry elements will be showcased at the October 3 meeting. Next steps will be getting the Innovation Plan included in the Governor's budget, developing a legislative strategy, and promoting the Plan with the state's editorial boards. The forestry proposal will help Oregonians understand the Oregon Innovation Council is not solely focused on high-tech, geographically-specific projects.
 - Matt Donegan already serves on the Innovation Council, but additional industry participation will be needed.
2. Status report following the August events in Lake and Klamath Counties dealing with beetle-killed timber – David Morman
 - Governor's tour of the beetle-killed timber went well. Hoped to attract statewide media attention to the issues, but it was mostly local. Interesting to learn the Governor visited the area a second time on his own by car. He said he understands the beetle epidemic is natural, but the scope is staggering. A major obstacle to action is the current lack of USFS funding for stand treatment. The expiring federal energy tax credit is a problem for the planned Lakeview biomass facility. An extension of the credit is needed for the project to be viable.
 - California has much more biomass cogeneration capacity. We need to work with Oregon utilities to make Oregon biomass energy more profitable.

3. Report on the draft forest cluster strategy briefing for the Governor -- Karen Goddin, Chris Knowles., Mike Cloughesy, and David Morman

Five forest industry executives met with the Governor, his staff, and key agency directors for an hour earlier in the day. Key points made:

General

- Citizens are having a difficult time with current economic uncertainty
- States will need to adjust to across the board reductions in federal funding
- Oregon is on the cusp of having to make big decisions. We need to start making investments. Citizens want the best of everything but are not willing to make investments. The Legislature is among the most reluctant to make investments. Business community has already stepped up by allowing their part of the kicker rebate to go to the rainy day fund.
- OECDD is restructuring. Should be better organized to utilize the Oregon Innovation Council, academic knowledge and business knowledge to help existing companies grow and attract new businesses that will still be here in 20 to 30 years.
- Governor's budget priorities are focused on education, corrections, human services. 85 percent of DHS budget is pass throughs to local governments.

Federal Forest Restoration

- Inspiration from the Governor on the forest cluster and federal forest issues appreciated by the Board of Forestry
- Federal forest restoration important to all parties. But resource outputs are needed in addition to restoration work.
- Build on Malheur NF local collaboration model and the recent 9th Circuit Court decision
- Need to continue to recognize the unique role played by BLM O&C forestlands. Oregon response to WOPR decision expected this fall. Governor is still basing Oregon's position on the principles he laid out last year. It is critical that something positive comes out of the WOPR process, particularly greater certainty on timber supply.
- Current county payments are a band-aid approach and not sustainable
- Frustration that federal forest policies change every time there is a new President. Professional foresters should guide policies, regardless of who is President.
- The Governor remains committed to the Board of Forestry process to forge new relationships with the BLM and USFS. BLM has been easier to work with. Need to look at state's role in both funding and revenues.
- Local decisions on federal forest management better than those made in Washington D.C.

Forest Cluster Vitality

- Non-formaldehyde resins a great example of a public-private partnership success
- Need to do more to promote biomass energy. Revenue side is a barrier to biomass infrastructure projects. California utilities are offering more for biomass energy than Oregon utilities. Need federal tax credit extended.
- Forest industry is still considered in negative terms by many. Need to change that perception. Wood is good and forest management is good for the environment and the economy.

- Maybe two to three years away from economically viable cellulosic ethanol production
- Minnesota has passed a “Sustainable Forests Investment Act “ which allows term conservation easements. It promotes ecosystem services and protection mill infrastructure. Recognition that forest products is a sunrise, not sunset industry. Minnesota has used General Funds to help develop public markets for ecosystem services.
- Oregon could be a global leader in forest carbon offsets. Accounting is difficult. A key is maintaining infrastructure to gain benefits from developing carbon markets.
- Carbon cap and trade is a potential revenue source for forest fuel reduction work. Oregon could be a principle player to get activity going on federal forests.
- Loss of short-line railroad routes a major concern
- Watch for 2008 transportation legislation

Forestry Workforce

- We need to let loyal forest sector employees know that something will happen on federal forests
 - Need to convince people there is a future in a forestry career. Then they can be trained. Partnership approach needed with the state, industry, community colleges. With the best people, industry will come out on top.
 - Oregon Workforce Investment Board looking at forestry as one of four key industries. There should be workforce training packages introduced in the next Legislature. Oregon already has a great apprenticeship program for maintenance workers.
 - Both workforce training and passing down knowledge from experienced workers to new workers are important
 - An attitudinal change is needed—working with your hands is an honorable trade
 - Need more high school vocational opportunities
 - There are fragmented, unfocused workforce development programs in Oregon. Need private sector expertise on where to make investments.
 - Secure raw material will lead to increased investment, which will lead to increased workforce confidence.
4. Status reports on expanded write-ups for the draft forest cluster recommendations – All
- We need to make sure our strategy proposals are clear on what changes we expect if they are successfully implemented. The three themes may not be given equal priority. Federal forest restoration and stable timber supplies are probably the highest priorities.
 - Final core team comments needed by October 1 on the executive summary and the Federal Forest Restoration and Forest Cluster Vitality write-ups. Forestry Workforce write-up needs to be ready for final review and comment by October 10.
 - The model to deliver workforce development could change. Tie to the Governor’s legislative agenda. Need to reference public/private partnership in Career Pathways.

5. Report on potential December 11, 2008 Oregon Leadership Summit agenda item on the forest cluster strategy – Karen, Mike, David
 - Amanda is working closely with Duncan Wyse on Summit planning. Forest cluster strategy likely to be presented at the Summit. Forestry is one of three key clusters to report out – reinforcing on Michael Porter's message to build on your strengths.
 - Need to line up industry executive participation for the presentation. Courtney, Amanda, and Mike will follow-up.
 - Consider a potential OFRI-sponsored Forest Cluster Summit on December 10?
 - Mike working to update forest cluster resource guide. Will need core team input by October 24.

6. Report on publication of information on the forest cluster strategy process through the OFRI newsletter – Mike
 - OFRI article on forest cluster strategy development to be published in advance of the December Summit. OSU and ODF may also be able to disseminate the same article.

7. Report on development of indicators and metrics for forest products sector vitality – Gary Lettman
 - Plans are to use Oregon Indicators of Sustainable Forest Management for *Forestry Program for Oregon Strategy B*, but to expand metrics used. Difficulty in developing the passive use and carbon metrics for the ecosystems services indicator. Forest cluster innovation metric is also a problem. Need to reference OFRI when discussing cluster information infrastructure.

8. Discussion on next steps – All
 - a. Building further political support
 - December Summit will be key to gaining support
 - b. Private sector outreach
 - Need to continue two-year assessments of forest cluster needs, opportunities, barriers
 - c. State government organization changes
 - d. 2009 and 2011 Legislature strategies
 - Do we have concept to remove barriers that could be acted on in the 2009 Legislature? Need to revisit what the most urgent short-term issues are.
 - Decreasing transportation and other costs
 - Increasing market profitability
 - What can be done to save remaining mills in Eastern Oregon?

9. Schedule October and November meetings

- Next meeting October 10, 9-12, Santiam Conference Room at ODF
- Potential November meeting dates: November 14, 17, 18
- January: Core team meeting date to be scheduled