

Statement of R. Wade Mosby

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to the

Subcommittee on Forests and Forest Health

House Resources Committee

United States House of Representatives

on

GAO Report on Promoting Woody Biomass for Energy and Other Uses

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify before the Subcommittee on Forests and Forest Health. I would like to bring some perspective and suggestions, based upon my thirty-five years of forest products industry experience, the past six years with oversight of our energy business which includes biomass co-generation, wind power and oil and gas exploration. I also serve on the board of Sustainable Northwest, a non-profit that is innovative in its approach towards sustainable rural development.

## Introduction

Collins Pine Company is a family owned forest products company founded in 1855, headquartered in Portland, Oregon. Our manufacturing operations include softwood sawmills in Lakeview, Oregon and Chester, California; two composite panel plants in Klamath Falls, Oregon; and hardwood sawmills in Kane, Pennsylvania and Richwood, West Virginia. Our forestry operations are the 96,000 acre Collins Almanor Forest in Chester, California, the 78,000 acre Collins Lakeview Forest in Lakeview, Oregon and the 126,000 acre Collins Pennsylvania Forest based in Kane, Pennsylvania. We operate four retail building material stores in Northern California. Our energy portfolio includes a 12 MW biomass co-generation power plant located in Chester, California and a partnership in a Wichita, Kansas, based independent oil and gas exploration firm with operations in Kansas, Colorado and Wyoming. Our total employment is 900 employees and in four of the five communities in which we operate manufacturing facilities we are the largest private employer. Collins has been recognized numerous times for its sustainable commitment to the environment and the rural communities in which it operates, including the Presidential Award for Sustainable Development.

With a twenty-one year history of operating a biomass fueled power plant and as a participant and potential host of the Lake County Resource Initiative's (LCRI) proposed biomass plant in Lakeview, Oregon, we feel uniquely qualified to share our views and experience about woody biomass. We commend the GAO for a very timely and informative report on which we are in general agreement. The three primary findings are consistent with our perspective, particularly the second finding which recognizes the importance of having a "logging and milling infrastructure" with which to integrate biomass energy facilities. In addition, we agree with the reports recognition that most woody biomass projects are developed in view of the anticipated environmental benefits; both improved forest health and reduced emissions, as well as the economic benefits. We concur with the GAO that different approaches need to be designed to fit individual circumstances, that a boiler plate, one size fits all solution is not the answer. I currently serve on the board of the USA Biomass Power Producers Alliance and have good knowledge of the national biomass situation but for this discussion will confine my remarks to the situation in the Western U.S.

## Forest Health

Currently much of the federal forestland is under severe fire risk conditions and subject to catastrophic wildfire. Some estimates indicate that up to 190 million acres are currently at risk. In the Western federal forests nearly sixty percent of the land is classified condition class 2 or 3. In the past five years, nearly 26 million acres of federal lands have burned throughout the West, costing taxpayers nearly 5.8 billion dollars in fire suppression costs alone. Those of us who have significant timberlands that border these fuel laden federal forests live in constant fear of our largest asset being destroyed by catastrophic wildfire starting on the federal lands and spreading to our timberlands. We need to find solutions that will reduce the threats of these wildfires through thinning and biomass removal, helping to avoid the huge expense of fire suppression and to pay for or offset the costs of forest restoration.

A good example was the Barclay Complex Fire in the mid-1990's on the Lassen and Plumas National Forest's in Northern California, our well managed land was used as a firebreak, while we lost eleven hundred acres, and the federal lands lost over 50,000 acres. All salvageable material on our lands was harvested immediately while maximum value could be extracted, today this stand is rehabilitated and in a healthy growth mode. Another incident close to home was the Winter/Toolbox fires of July, 2002, in Lake County, Oregon. These lightning caused fires joined together burning over 100,000 acres of the Fremont National Forest. Mr. Chairman, I know that you have sponsored legislation that underscores the need to recover our federal lands following a catastrophic event. I believe that HR 4200 would not only help to restore these federal lands, but would also help prevent re-occurring fires and provide woody biomass materials in the process. Our timberland is generally adjacent or intermixed with federal lands; it gives us great trepidation to have a neighbor who is so unable to maintain their property. While we have high regard for the professionals in the USFS, they have been hampered by the lack of funding for proper land management and a regulatory framework which makes it difficult to maintain this treasured asset. Congress needs to strengthen the federal investment in the agency's capacity to carry out such projects and to develop policies that encourage investments in forest restoration and wood products and biomass utilization. To put it in blunt terms, under current conditions, often, being neighbors with federal timberlands is like living next to a "slumlord".

### Biomass Thinning

One of the key components of improving forest health is treating the entire stand. This results in small diameter sawlog material being developed, biomass material for the renewable power market and a stand that is left in better condition that is resistant to fire. Biomass thinning is the key tool in this fuels management treatment. Current USFS performance measures target the number of acres it can treat at the lowest cost; better targets might look at how many acres are improved (e.g., condition class 3 to condition class 1) and at how much product (biomass, small diameter thinning, etc.) is being removed per acre.

A good example to examine in the Lakeview Federal Stewardship Unit of the Fremont National Forest is the Bull Stewardship Sale. The Lakeview Federal Stewardship Unit comprises approximately 490,000 acres; it's managed for the benefit of the 2700 rural residents of remote Lakeview, Oregon which is 95 miles removed from the nearest town with public transportation and regional shopping centers. With a collaborative effort this sale has been put up and Collins is currently awaiting final award for a 4 year biomass thinning contract on approximately 1900 acres. We also will perform road closure work and aspen release work, our estimates are that we'll thin about 12 to 13 bone dry tons per acre of biomass, about twenty five hundred board feet of small diameter timber per acre. In common terms that is 1 truckload of biomass and ½ truckload of small diameter timber per acre. The cost of the treatment should be revenue neutral. The resulting forest will be healthy, with the additional bonus of the road closure work included in the package. Our philosophy on biomass thinning is to concentrate on what you leave behind, not what you take.

The negative aspects of the project are that while the USFS has designated it a 4 year project, we'll complete it by November, 2006, making it a 6 month project. Because of funding and NEPA work it may be quite a while before additional biomass thinning projects are put up under the stewardship authority. With approximately 250,000 acres that need treating there must be the ability to treat 10,000 acres or more annually in order to make any significant progress towards restoration. Much of this work has been hampered by the slow pace of the NEPA evaluation that must be completed. I would propose that much of this be contracted out to certified third parties who generally complete the NEPA work in an agreed upon shorter time frame and at lower cost than the USFS which has multiple missions.

### Biomass Energy

A regional collaborative group led by LCRI has worked since 1998 to develop a shared forest management strategy for the Lakeview Federal Stewardship Unit. Raising over \$200,000 for analysis and consultants mainly from state and private sources and working with environmental and conservation groups, and local, county and state government, ranchers and forestry firms and both USFS and BLM agencies. They have reached agreement that the Federal Unit can support a biomass co-generation plant that would produce renewable power for the grid, generate steam that can be used for lumber kiln drying and heating for county buildings.

The plan calls for 10,000 acres per year to be thinned generating about 125,000 bdt of biomass. With the addition of 50,000 bdt of sawmill chips, shavings and sawdust from the Collins sawmill you would be able to fuel a 20MW co-generation power plant. The cost of such a facility would be in the range of 30 million dollars and an experienced biomass power operator, DG Energy of San Diego, California, has signed an MOU to develop a plant and locate it on the Collins plant site. This would provide the much needed infrastructure for the biomass product.

Challenges exist in that the USFS only has authority for 10 year contracts, most investors would prefer a 20 year contract to help amortize an investment of this size. A 10 year contract might be feasible if the investors were assured of an automatic renewal for another 10 years if the conditions of the first contract were satisfactorily completed. Transportation of biomass is a huge cost, generally you would not want to reach out over 40 miles or the cost of the fuel becomes prohibitive. Congress authorized a twenty dollar green ton subsidy for biomass in last year's Energy Bill, but has not received funding. Also, biomass power only qualifies for half the Section 45 Production Tax Credit that other renewables are given, rather than the 1.8 cents kWh, they receive only .9 cent per kWh.

Collins operates a 12 MW biomass co-generation plant in Chester, California which operates exclusively on mill residue and biomass thinning. Over the past 10 years we've averaged thinning of about 3,000 acres per year which develops about 13-14 bdt per acre and we generally develop about 2,000 board feet of small diameter timber per acre. Our biomass projects have generally proven revenue neutral but have increased the forest health on our Forest Stewardship Council (FSC) certified Collins Almanor Forest which is considered one of the premier industrial forests in North America.

### Community Benefits

Biomass thinning not only provides fuel reduction and improves forest health but it benefits nearby rural communities in many ways. Using Lakeview as an example it would reduce fuel loads within the urban/wildland interface, promote better water quality and with the proper combustion in an efficient co-generation power plant would improve air quality and reduce CO2 emissions. While biomass production is generally considered carbon neutral the additionality of the co-generation factor makes it carbon negative.

From an economic aspect the rewards to a small town would be sizeable. A 20 MW biomass power plant would add 16-18 high paying jobs, the associated trucking another 12-15 jobs and I would estimate another 10 -15 jobs from the biomass thinning and chipping operation in the forest. The addition of a sustainable supply of small diameter logs might be the impetus for purchase of modern small log equipment at the local sawmill, at an estimated cost of 7.5 million dollars that would insure the long term viability of this operation. The estimated 50 plus new biomass related jobs would generate additional service and retail jobs in the local community, quite a boon for a small rural town.

### Summary

1. Invest in biomass thinning and forest stewardship: Provide funding for the USFS to properly manage biomass thinning and stewardship projects. This should include funding for outside contractors to provide NEPA support.
2. Support Collaboration: Encourage local collaboration so that biomass thinning projects enjoy wide support from diverse stakeholders.
3. Support Renewable Biomass Power: Encourage renewable biomass power by funding the green biomass transportation subsidy in the Energy Bill and equalizing the Section 45 Production Tax Credit for all renewables.
4. Structure a program of work for consistent supply: Encourage long term biomass contracts (10 years) to increase efficiency. Make these 10 year contracts renewable for satisfactory performance to make them more attractive for infrastructure investors.
5. Focus on using biomass as a tool for forest restoration: Create targets that are focused on outcomes (e.g., acres improved by condition class) and encourage integrated utilization of the restoration by-products such as small diameter timber, brush and other economically low-value material.
6. Promote economical biomass thinning: Long term biomass stewardship contracts are often revenue neutral if small diameter thinning is included. But they promote forest health, reduce fuels and provide environmental benefits such as improved air quality and reduced carbon emissions.

Thank you for letting me testify before this committee today, I would be pleased to answer any questions you may have.

