

W. S. A.

Memorandum Date: September 5, 2008
Order Date: September 17, 2008

TO: Board of County Commissioners
DEPARTMENT: Administration, Intergovernmental Relations
PRESENTED BY: Alex Cuyler, Intergovernmental Relations Manager
AGENDA ITEM TITLE: Legislative Concept Development – Federal Revenue Sharing
Forest Carbon Offset

I. MOTION

Move to direct County Administrator to oversee appropriate staff involvement in a project intended to result in draft legislation and bill sponsorship that would provide Oregon Counties with a revenue sharing structure similar to that which exists for timber revenue in the event that federal forest lands generate revenue from carbon offset activities resulting from cap and trade regulatory frameworks.

II. AGENDA ITEM SUMMARY

As part of the lead up to the 2009 Legislature, the Board is being asked to consider staff development of a legislative concept related to the value being created from carbon offsets within a cap and trade regulatory framework. The concept is limited to the revenue sharing structure needed such that Oregon Counties can share in any federal revenue resulting from carbon offset values created on federal forest lands.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

- On June 19, 2008 Alex Cuyler made a presentation to the Association of O & C Counties regarding the Western Climate Initiative, forestry offsets, and federal revenue sharing.
- On July 24, 2008 Jeff Spartz presented a briefing paper to Rep DeFazio on the potential value to Lane County from carbon offsets based on data gleaned from the Pew Foundation.
- On August 8, 2008 Commissioner Faye Stewart submitted comments to the Western Climate Initiative on the Draft Design Document, specifically with regard to forestry offsets.
- On September 4, 2008 the Legislative Committee reviewed the issue of federal revenue sharing, and supported a legislative concept relating to federal revenue sharing statutes.

B. Policy Issues

In anticipation of legislation resulting from the work of the Western Climate Initiative work the question arises as to ensuring that any revenue resulting from carbon offset value from federal lands is treated the same as revenue resulting from timber value from federal lands with regard to revenue sharing with Oregon Counties.

C. Board Goals

Strategic Plan

4. Revenue Development

(5) Developing timber revenue strategies

D. Financial and/or Resource Considerations

- The undertaking of a legislative change to allow for federally-sourced carbon offset revenue sharing will require human resources which the County already has in place, but will entail certain commitments within the realm of the legislative session for the Board, for instance hearing testimony and travel time.
- While a cap and trade system is not yet in place, offsets are a key part of such a system and value will be created for forest land owners should a cap and trade system become law in Oregon. If federal forest lands in Oregon create value from such a system, and sell offsets into a market that already exists, it is estimated that revenue from Lane County federal forest lands alone could reach \$50 million annually (prior to any revenue being distributed).

E. Analysis

The Western Climate Initiative consists of eleven western states and six Canadian provinces. It was created from a collaboration of state Governor's and its work is being followed closely by Oregon's Governor. He has expressed his support and interest in climate change legislation. It is likely that such legislation will pass through a variety of committees, but perhaps most important will be the House Revenue Committee, chaired by Lane County Representative Phil Barnhart.

Within the structure of the Western Climate Initiative, offsets have been one of a number of primary focus areas. Advocates of forestry offsets have been aggressively pursuing the issue and were successful in ensuring that forestry based offsets are recognized by the WCI.

Oregon law currently allows carbon offsets to be sold on non-federal forest lands (ORS 526).

Oregon law also provides for the distribution of federal revenue from the sale of timber from Forest Service lands (ORS 293.560). It is likely that any legislative fix that Lane County initiates will focus on these statutes, and will seek to include carbon offset revenue with current language that addresses revenue from forest reserve rentals and sales of timber.

Revenue from BLM-managed lands is also shared with Oregon counties, but that distribution is not regulated by Oregon. In order to develop a revenue sharing strategy for carbon offsets arising from these lands, a federal effort will likely be required.

F. Alternatives/Options

- 1.) Direct the County Administrator to develop draft legislative language to create a structure such that federal revenue from carbon offsets arising from federal forestlands is shared with Oregon Counties.
- 2.) In addition to supporting paragraph 1 of this section, direct the County Administrator to develop draft legislative language addressing a "yield tax" for carbon offset values derived from private forest lands.
- 3.) Do nothing

IV. RECOMMENDATION

Staff recommends option 1.

V. TIMING/IMPLEMENTATION

The Legislative Session begins in January, 2009, and staff would begin to seek a sponsor for such a bill immediately.

VI. FOLLOW-UP

Staff will continue to update the Legislative Committee regarding the plausibility of a successful effort to amend appropriate Oregon Revised Statutes, likely ORS 526 and 293.

VII. ATTACHMENTS

Pertinent ORS