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303 South 72nd Street
Springfield, Oregon 97478

Edward Shepard
State Director
Bureau of Land Management
PO Box 2965
Portland, Oregon 97208

Re: Western Oregon Plan Revisions

Dear Mr. Shepard,

I have just finished reading the Register-Guard's editorial on the BLM Draft Environmental Impact Statement this morning admonishing individuals to write a letter to address the "flawed plan." I have also previously read the two separate opinion pieces by Lane County Commissioners Peter Sorenson and Faye Stewart. I also had the opportunity to attend one of the general orientation sessions plus a technical session at the Eugene District BLM offices this fall. I have also spent some time reading the Draft Environmental Impact Statement. Having said this, I am quite aware that I have a very limited knowledge of this plan – unlike the organizations and individuals above who "cherry pick" some data and then proceed to go on at great length about what little that they understand about the competing issues. The DEIS has an enormous set of variables which are certainly beyond the capacity of any one individual to understand and synthesize.

I sense that much of this plan is an attempt to provide O & C payments to help fund county operations. I find it quite amusing that the Register Guard and Commissioner Sorenson are so opposed to this forest plan. I don't know how long that the Register-Guard will expect taxpayers in Iowa and South Carolina to pay for our county operations that we ourselves are unwilling to fund.

One of the fundamental issues that is rarely addressed by our society – nor do I think will ever be adequately addressed – is the increasing disconnect between humans and good ole Mother Nature that we depend upon for our sustenance. I raise the issue in passing, because as noted by Log Imports from Canada chart from the Socio-Economics Effects PowerPoint presentation, Oregon is now importing 500 mmbf from Canada. The BLM PPT states that the federal agency used to provide approximately 16% of the total harvest in western Oregon, but that the BLM harvest plan now accounts for only 3.5% under the Northwest Forest Plan. The PPT also notes that Oregon mills are also relying more on Washington

wood. Our consumption has not declined; rather we are simply shifting the production to other places that are out of sight.

Old growth issues

There are a number of individuals who are complaining about the increase in harvesting of timber which they associate with the loss of old growth. Some individuals and organizations are complaining that the BLM will be harvesting 68,000 acres or so of old growth. The discussion about old growth beginning on page 494 describes the ecological conditions of the conifer forests. According to the BLM, both mature forests and structurally complex forests would increase under all four alternatives. According to Table 150, Alternative 2 would increase mature and structurally complex forests from the current 27% and 25% respectively to 32% and 33% respectively. The historical averages are estimated for mature and structurally complex forests at 25% and 55% respectively. The No Action alternative would move toward the historical old growth averages more than Alternative 2. One of the questions is whether the economic benefits of Alternative 2 are worth the environmental trade-offs.

I would encourage the BLM to do a better job in the Final EIS to highlight what will be happening to old growth forests since there is a misunderstanding of the age class of future forests.

Discount rate

I recall reading that the BLM is using a 6% discount rate for net present value calculation. Discount rates should properly reflect risk, particularly over long periods of time that are certainly required for timber production and harvest. The US Department of Energy typically uses a 10% discount rate when analyzing the building of an energy facility. I had posed this question at the technical session and was told that the 6% discount rate was used because of some other federal entity or rule.

Given the enormous uncertainties of climate change; federal budgeting; the public's comfort level with federal management of our public lands; wildfires; and a host of other issues, the BLM should look at testing other discount rates such as 8% or 10% or even higher and run those business models. While few people understand discount rates, investments made today need to incorporate discount rates that reflect risk and the time value of money.

BLM budget

While I do not want to "whine" about the budgets for the BLM, I think that this issue has not been adequately addressed. The BLM budget on the Socio-Economics PPT displays a current budget of \$154 million for FY 2006. According to the BLM, 78% of the budget is considered fixed and that the cost of timber sales varies between the alternatives. BLM projects that Alternative 2 would require an increase to \$245 million (presumably in 2006 dollars) to accomplish the timber sale targets. Please correct me if I am wrong, but the BLM Payments to Counties Historic and Projected First Decade chart projects \$110 million in payments to counties annually under Alternative 2 and much lesser amounts under the other alternatives. Yet, the taxpayer is providing an input of an extra \$91 million to get a county payment gain of \$110 million. Obviously, there is a projected increase of 3,442 jobs and earnings of \$136 million versus a loss of 3,770 jobs and \$125 million in earnings under the No Action Alternative.

I recognize that BLM employees will likely complain that they are already doing more work than 10 years ago with fewer staff. However, I am concerned with the high cost of each of these alternatives because of the effects to the net present value.

Are there other options to increase the timber harvest without the substantial increase in administrative costs? Administrative costs are obviously upfront costs while timber revenue may not appear for four to six years into the future. What is the possibility to utilize contractors to reduce some of these costs? I recognize that the BLM uses contractors to perform most of the manual, on-the-ground work, but there may be a need to utilize small business contractors to help with the planning and other administrative functions.

Net present value

I think that the Net present value is actually one of the most critical issues of this document, particularly because of my perception that this DEIS is driven largely to provide county payments. Net present value is important because the NPV measures the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of an investment or project.

I don't disagree with one of the BLM's stated purposes to provide more timber because there is a need to provide O & C payments to counties and to provide wood fiber for the marketplace. However, there is a need to maximize the net present value. There are many ways to increase the net present value which include both generating more income as well as reducing expenses. Either of these options will improve the net present value.

On page 963, the DEIS states that the "timber portion of the budget was calculated using a fixed rate of \$159/Mbf. On the following page, the DEIS states that the timber program costs for the present net value were based on historical BLM budget data as \$200/mbf. I guess that I don't understand the difference between these two amounts. However, it would be useful to compare the BLM timber program costs with the private sector forest products companies. While the BLM has more legal requirements to perform than a private sector company, I am wondering if the BLM could lower its timber program costs through either a more judicious use of contracting or a more efficient use of its own employees.

According to a 2005 study released by Cal Poly's Institute for the Study of Specialty Crops., the cost of timber sale preparation in California has increased more than 1,200 percent over the last 30 years, making it difficult to manage forests and increasing the likelihood that forest land will be converted for other uses. The study, "The Impact of California's Changing Environmental Regulations on Timber Harvest Planning Costs," can be found at the CISSC Web site at <http://cissc.calpoly.edu/research>. I further recall the former US Forest Service chief commenting about "analysis paralysis" that overwhelms the agency. The purpose of planning documents, such as timber sale documents, is to institute activity, not just for the sake of engaging in more planning.

Given the high costs of timber sale preparation, what can be done to lower those costs to improve the net present value?

Other income streams

Although these next two suggestions are in their infancy stages of economic and environmental development, their impact will likely grow in the future. I recall that the DEIS briefly discussed climate change and then stated that that particular issue was outside the scope of the alternatives. Regardless, climate change will have a significant impact on our lands in Oregon. The carbon markets are still in their infancy, but there will likely be some form of cap and trade and credits provided for carbon capture.

While the issue of carbon capture credits for federal lands will be debated for years in Washington, DC, there will likely be some type of credit developed. It might be useful for the BLM to explore the total amount of carbon that is captured and retained on its lands and to explore possible market mechanisms.

A second income stream is cellulosic ethanol. The US Congress passed the Energy Bill last month which sets a target to produce approximately 22 billion gallons of cellulosic ethanol by the year 2022. The US Departments of Energy and Agriculture produced the "billion ton biomass study" that identified approximately 1.3 billion tons of agricultural and forest biomass that could be utilized for biofuels production. Of the 1.3 billion tons, approximately 368 million tons would be available from forestlands.

Despite assertions by some that cellulosic ethanol is years away, Range Fuels is constructing a 50 million gallon cellulosic ethanol facility in Georgia that would utilize wood chips. Mascoma is building a similarly sized cellulosic ethanol facility that would also utilize woody biomass. Both of these facilities have received co-funding from the US Department of Energy. Oregon is slowly waking up to the potential of cellulosic ethanol.

The Oregon Department of Forestry biomass working group (of which I am a member) has recommended the development of pilot facilities and modest cellulosic ethanol targets. Oregon State University has a Sun Grant project that is looking at woody and agricultural biomass feedstocks and the issues related to conversion. The Willamette Valley biomass study group (of which I am a member) has been awarded a \$95,000 grant to identify 50,000 tons of woody green biomass that could be utilized for a cellulosic ethanol facility. Lane County government will likely be awarded two grants totaling \$300,000 from the Oregon Economic and Community Development Department and the Oregon Department of Agriculture analyzing the potential for both renewable bio-energy and biofuels facilities in Lane County.

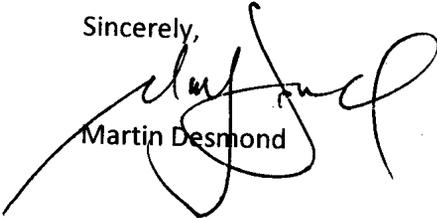
While these are emerging industries, the future will likely provide a market for small-diameter trees to be converted to cellulosic ethanol and other high value products. I describe both of these potential income streams because they are likely less controversial to a public that fundamentally does not understand forest management.

Summary

I recognize that the BLM is caught in a very difficult situation. We in our society continue to expect to have our proverbial cake and not want to pay for the cost of the cake. Many of the individuals who are opposed to the BLM plan are simply "cherry picking" little facts that agree with their perceptions and are failing to look at the bigger picture.

I would encourage the BLM to hold more community meeting presentations and to energetically work with concerned citizens. There is a critical need to move forward with intelligent forest management. Half a glass of milk is usually much better than no glass at all.

Sincerely,


Martin Desmond