



Testimony of

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Before the Committee on Taxation in Opposition to LD 1135 – An Act To Ensure that Carbon Credits Can Be Sold on Forest Land Enrolled in Maine Tree Growth Tax Law

Tuesday, April 18, 2023

Senator Grohoski, Representative Perry and members of the Joint Standing Committee on Taxation, my name is Dana Doran, and I am the Executive Director of the Professional Logging Contractors of Maine. The Professional Logging Contractors of Maine (PLC) is the voice of logging and associated trucking contractors throughout the state of Maine. The PLC was formed in 1995 to represent independent contractors in a rapidly changing forest industry.

As of 2021, logging and trucking contractors in Maine employed over 3,000 people directly and were indirectly responsible for the creation of an additional 2,500 jobs. This employment and the investments that contractors make contributed \$582 million to the state's economy. Our membership, which includes 200 contractor members and an additional 120 associate members, employs more than 75% of the individuals who work in this industry and is also responsible for 80% of Maine's annual timber harvest.

Thank you for providing me the opportunity to testify on behalf of our membership in opposition to LD 1135 – An Act To Ensure that Carbon Credits Can Be Sold on Forest Land Enrolled in Maine Tree Growth Tax Law. While this bill has been presented as a concept draft with no language to explain what it attempts to do, the description provided seems to point to a concept where landowners can continue to receive benefits from the Tree Growth Tax Law (TGTL) if they are enrolled in a carbon sequestration monetization program. While this is a noble perspective, it will ultimately reduce the amount of wood that could be harvested as a result of the current provisions of the TGTL and is counter to the statute's intent. This kind of policy will likely create an incentive to not manage one's land for timber. If this is the case, our membership is adamantly opposed as this will have a detrimental impact on Maine's timber harvesting contractors.

In 1972, the TGTL was enacted by the Legislature to encourage landowners to retain their forestland, promote better forest management and grow forest products for wood consuming mills in the state. Land enrolled in the program would be taxed based upon its current use, which is forested use and not taxed based upon development potential. The Legislature at that time realized the importance of maintaining forestland for multiple uses, but the greatest use was forest management for the forest economy.

Currently, there is no restriction for landowners who take advantage of the TGTL to enroll their property in a carbon sequestration monetization program, as long as they meet the intent of the TGTL and manage their property for forest products. Thus, there is no need to change the TGTL in order for landowners to take advantage of a carbon program.

As a member of the Governor's Task Force on the Creation of a Forest Carbon Program, which was created by Executive Order in January 2021 and submitted its final report on October 21, 2021, the taskforce never discussed, nor recommended making changes to the TGTL as a pathway to increasing carbon sequestration in Maine's forests. As this Committee has come to understand through other legislation regarding TGTL, this current use taxation program has been in existence since the 1970's and should not be amended to create benefits for other programs or alternative uses. As the Maine Forest Service stated in their testimony to this Committee on another proposed amendment to the TGTL on March 30, 2023, "the risk of policy changes in current use taxation is a strong disincentive to landowners making long-term investments in the future of Maine's forests".

The Executive Summary of the Governor's Task Force on the Creation of a Forest Carbon Program is attached to my testimony. The goals and suggestions of the Task Force are clearly articulated, and you will note that the TGTL is not mentioned in any way shape or form. It was the unanimous consensus of the Task Force that two of the three overarching principles of the report were focused on forest practices and markets. Markets are necessary for practices to be implemented. Additionally, any carbon market participation, as stated in the Governor's Executive order, would be voluntary but not mandated through statute.

The logging industry is suffering today to remain profitable and supply our mills with the wood they need. Right now, loggers are at risk because of escalating operating costs that are involved with running this kind of business. If the forest products industry is going to continue to thrive into the future, the state of Maine should be doing all it can to create a competitive platform and not creating incentives to do less with the management of our forests. From our point of view, the idea established in the title of this bill will only incentivize doing less, which will harm, not help the forest products economy.

Thank you for the opportunity to speak before you today and I look forward to answering any questions you may have.

Governor's Task Force
on the
Creation of a Forest Carbon Program

Final Report

October 29, 2021

Maine Forest Carbon Program Task Force

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Tom Abello, Legislative Director, Office of the Governor

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Mark Berry, The Nature Conservancy

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Executive Summary

The Governor's Task Force on the Creation of a Forest Carbon Program was established by Executive Order on January 13, 2021. The Executive Order directs the Task Force to develop incentives to encourage forestland management practices that increase carbon storage specifically on woodland owners of 10 to 10,000 acres while maintaining harvest levels overall. It notes the negative impacts climate change is having on Maine, and recognizes that Maine's forests, which cover 89% of the state, currently sequester an amount of carbon equal to at least 60% of the state's annual carbon emissions, or 75% when durable forest products are included. It also notes that Maine is losing an estimated 10,000 acres of natural and working lands to development each year, and that this development is a direct source of carbon emissions and hinders the growth of natural climate solutions. The work of the Task Force advances that recommendation of the Maine Climate Council's Natural and Working Lands Work Group to develop incentives that increase carbon storage on this forestland size category while maintaining harvest levels.

The Task Force also identified certain overarching principles that are foundational to the success of Maine's forests in sequestering more carbon. These include:

- Maintaining existing forestland ("keeping forests as forests") is fundamentally important if forests are to make a growing contribution toward achieving the State's climate goals. The Task Force supports increasing state, federal, and private funding for forestland protection, including funding for conservation easements or fee purchase. To monitor Maine's progress in this regard, the Task Force recommends that the Department of Agriculture, Conservation and Forestry (DACF) be permanently tasked with tracking the amount and type of conserved land in Maine (including municipal, NGO, state, and federal lands), and also tracking forestland loss.
- It is equally important to increase forest carbon on existing forestland by improving forest condition through the widespread adoption of sustainable forest practices that increase carbon sequestration, both through more intensive silvicultural management of stands that will increase forest growth, and by delayed harvests that allow trees to mature into older forest, resulting in greater carbon storage, which also increases the opportunity to store more carbon in long-lived forest products.
- The adoption of carbon-enhancing forest practices depends on the existence of economically viable markets for low-grade wood. Such markets incentivize Maine woodland owners and loggers to practice sustainable forestry that results in improved silviculture. The lack of such markets is a particular and ongoing challenge for Maine woodland owners and loggers. While markets alone do not inherently produce climate benefits, they are a necessary part of the equation as they can either reduce the costs of climate-beneficial practices or even make

them profitable. Expanded, financially viable markets for low-grade wood will also help to counteract pressures to convert forestland to non-forest uses.

In offering its ambitious recommendations, the Task Force also offers a note of caution, acknowledging the significant uncertainties that influence the health and productivity of Maine's forests. These vulnerabilities, exacerbated by climate change, include impacts from pest outbreaks, disease, extreme weather events, wildfire and invasives, all of which can have a negative bearing on the ability of Maine's forestland to sequester carbon. Despite these risks, the Task Force enthusiastically supports the recommendations in this report, understanding the important role Maine's forests currently play in sequestering carbon, and the potential of Maine's forests to continue to make significant contributions to achieving Maine's climate goals.

This report is structured to align with the nine directives outlined in the Governor's Executive Order. These directives provide the framework for actions the Task Force is recommending be taken to develop a voluntary, incentive-based program for woodland owners of 10 to 10,000 acres and forestry practitioners to increase carbon storage in Maine's forests. In broad terms, these actions aim to:

- Increase investment in forestland conservation
- Encourage, promote, and incentivize the voluntary adoption of climate-friendly forest management practices
- Promote the expansion of markets for low-grade wood
- Highlight the need for better data regarding harvest levels within this broad landowner size class, and the relative effectiveness of various forest management practices in increasing carbon sequestration
- Significantly increase technical assistance to landowners by expanding Maine Forest Service capacity and engaging licensed consulting foresters
- Increase alignment with federal funding programs that support forest carbon sequestration efforts
- Explore partnerships with a private entity or entities to support the development of a voluntary credit-based and/or practice-oriented carbon program
- Promote climate-friendly timber harvesting practices and support the use of low-impact harvesting equipment
- Identify a suite of potential changes to the Open Space Current Use Taxation program that integrate carbon management elements into the program
- Encourage coordination between landowners of 10-10,000 acres and large, commercial forestland owners for mutual learning and benefit
- Recognize the potential of collaborating with other states to increase investment in forest carbon sequestration
- Establish a statewide total forest sector carbon sequestration target