

MICHIGAN TIMBER AND FOREST PRODUCTS ADVISORY COUNCIL (MTFPAC)

MEETING MINUTES

August 28, 2020

In attendance: **Members:** Charlie Becker, Gary Melow, Donna LaCourt, Larry Leefers, Mike McCuiston, Nick Monkevich, Tim Biewer, Scott Robbins, Julie Penrose, Jerry Grossman, Ben Schram, Jeff Stampfly, David Neumann, Rich Bowman **Presenters:** David Price, Michigan Department of Natural Resources (MDNR), Scott Whitcomb (MDNR), Kerry Wieber (MDNR) **Other Attendees:** Kim Korbecki (MDNR), Kathleen Lavey (MDNR)

1. **Introduction** – Charlie Becker

Charlie called the meeting to order at 10:03 a.m. He commented that JR Richardson has officially stepped down from the Michigan Timber and Forest Products Advisory Council (MTFPAC) and has been reappointed to the Natural Resources Commission. He expressed his sincere gratitude to JR for leading the MTFPAC since its inception. He stated his leadership was instrumental in making the council successful.

Approval of the August 28, 2020 MTFPAC meeting agenda: after conversation it was determined that items number 2 and 3 would be switched around in consideration of time constraints on the presenters, and the agenda was approved as adjusted.

2. **Land Strategy Update** – Scott Whitcomb (MDNR), Kerry Wieber (MDNR)

Scott Whitcomb, Michigan Department of Natural Resources (MDNR or department), thanked the council for the previous discussion on carbon credits (presented by David Price). He commented that it's an exciting process and he appreciates the council's thinking on this subject to make sure the MDNR is doing it the correct way.

Scott went on to discuss the progress being made on the MDNR's Land Strategy (strategy). He's been working with Kerry Wieber and the Forest Resources Division (FRD). He reported that Michigan has a 4.5 million-acre land base with state lands and went on to explain why the MDNR is rewriting the land strategy.

He commented that as long as the MDNR has owned land, the same questions were being asked; what is the MDNR going to do with the land. People at Michigan State University (MSU) and others made decisions in the past, but as time went on, periodically politicians and others have also asked the questions: what is the land being used for; how much state land is enough; and is there too much land in state ownership. Back in 2013, as a result of these questions, there was a cap placed on the amount of acreage the MDNR could own. This legislation approving the Land Strategy was passed by the Legislature in 2018. The same legislation that called for a strategy to be adopted, called for the department to rewrite the strategy in 2021. So, the department is implementing the Strategy at the same time it is rewriting it.

If you look at the law that passed in 2013, it called for some policy cleanups on the MDNR side, but it also called for a review of state land boundaries. This (boundary review) was last done in 2004. The plan called for it to be revisited. The boundaries guide the MDNR's acquisition priorities. Within the boundaries, the goal would be to consolidate ownership as much as possible. If you look at boundaries, they contain about two million acres of private land embedded within it. The MDNR went to its field staff, district folks and Division Chiefs, and the department is now looking at new boundaries. The new Land Strategy will most likely be adopted in December.

The MDNR's report to legislators will include what changes were made and why. It will also report out on the goals in the 2013 version of the Land Strategy.

Kerry Wieber, MDNR, added that the department appointed an internal Land Strategy Sprint Team, which spent a lot of time doing a complete assessment of the 2013 document and spent the past several months doing an assessment of three goals identified in original strategy. It concluded that some of these goals didn't make sense and weren't measurable. The update is looking specifically at basing its language on the language in the Constitution and the Natural Resource Environmental Protection Act, and to make sure measurable objectives are actually measurable. The team worked on developing more appropriate strategies and objectives for the update.

- Protecting and preserving Michigan's natural and cultural resources.
- Providing spaces for quality outdoor recreation opportunities.
- Promoting natural resources management.

The team is done with the development, at the end of July they sent the specific goals out internally within the department and asked staff to focus on these goals. They are incorporating all the feedback, and on September 1 will be posting the 'land' section and the 'table of contents' to the website. The website to review this information is www.michigan.gov/publiclands. Review for stakeholders will be made available on Tuesday. Comments can be made at DNR-landstrategy@michigan.gov.

September 11 is the target date to have the three goals posted for the public and stakeholder review. These are all very draft, but the goal is to engage early and often. The team is looking forward to stakeholder feedback.

In September and October there will be a couple of virtual public meetings (September 30 and October 1), and they will be holding several meetings similar to this to other advisory groups. The goal is to get a lot of feedback on the draft that is available to date, and then incorporate what is received as feedback, and have a draft document by the end of the year.

The goal is to finalize the document in February and March 2021, for submission in April 2021. The MDNR is required to submit it to the Legislature by July 1, but the team wants to get it to the subcommittees two months prior to that date.

Kerry asked Jeff Stampfly to provide the MTFPAC the link to the strategy website, and he agreed to. An additional email will be sent on September 1 with a link to the strategy. She added there is some information on the process being used to update the strategy on the website at this time.

3. **Carbon Credit Consulting Contract** – David Price (MDNR)

The MDNR's Forest Resources Division (FRD) accepted bids from several sources to hire a carbon credit consulting firm. Bluesource was the successful bidder (www.bluesource.com).

Bluesource is the oldest and largest developer of carbon credits in North America. It has a significant presence in the Great Lake states. They are currently working on several projects, including some non-profits. They have two Nature Conservancy projects underway, as well as several projects in Wisconsin and several in Michigan and other Great Lakes states. David will be taking his presentation to the Pigeon River Country Advisory Committee soon. There are also several other outreach efforts to undertake.

Bluesource will soon begin contracting the various other companies it will need for inventorying, etc. It will also begin marketing potential carbon credits to interested entities. Bluesource hires a third-party entity to verify its work.

Bluesource handles carbon registration (issuance of credits). They are also seeking buyers. Mr. Grossman stated that Bluesource has moved forward dramatically faster than anyone expected. He isn't sure the project has had the robust public participation he had hoped for. The DNR is going to have certain obligations for 40 years. His concern is that all companies are good and know what they are doing, but they tend to assume you're going to keep the carbon stock on the landscape and only harvest annual growth, no more.

The idea is that you may want to commit to selling 50 or 60 percent of the carbon stocks that exist at the time you sign, rather than all of it. It could have dramatic negative impacts if you commit to too high a stocking level. The intent is to improve forest management which is part of the calculations that was used by Bluesource. David added that FRD is not going to be locked into any certain percentage of what it must sell, it's just committing to work with Bluesource.

The general timeline is to do the inventory once a Carbon Development and Marketing Agreement is signed and after that it is a year and a half long process. Bluesource will look at the current management plans as they exist and will then factor in how many carbon credits FRD will sell as well.

Regarding marketing, Bluesource already has connections with some of the major players in the area, as well as large companies nationally. They will start with an assessment of current clients and look beyond to make outreach as broad as possible.

It was asked if the CO₂ growth is determined year-by-year, or on a multi-year average. David responded there is reverification of growth every 5 years.

David commented that if FRD follows its management plans, it should be alright. They (Bluesource) don't sell all the credits immediately. When FRD issued the RFP, it wanted the pilot in the Pigeon River Country (PRC). If it's successful, there are no significant issues, and FRD would like to proceed, Bluesource will have exclusive rights to sell more carbon credits in different areas of the state forest, state parks, or state game areas. The MDNR knows this is gaining momentum nationally, so wanted to move forward. At the present time this is a trial to see what it's like and if it works out the MDNR may be well positioned if there is a national cap-and-trade or carbon tax, and you may see the prices skyrocket. The MDNR is set to earn more from carbon credits than from just harvesting timber and wants to be well-positioned to take advantage of the trends that are occurring.

There is marketable carbon that can be sold on these markets and there won't be a noticeable difference in the volume coming off the forest. The PRC was selected because if it's going to work there it's going to work other places as well. To support Michigan's elk herd twenty-seven percent of the PRC forest is aspen cover and the FRD doesn't want to lose an acre of aspen. Same with other forest types. If the FRD locked up the forest and can't manage it, Michigan would lose its elk herd. The MDNR wants people to be assured that it doesn't want to just lock up the forest so affected entities can't cut in certain places. The MDNR doesn't want that to happen.

It was asked what the perspective of the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) is on carbon credits. David responded that being certified is a plus when it comes to carbon markets; dual certifications are even better. Forest certification standards are

moving toward inclusion of climate change principles. The new SFI standard is still in draft form; the new standard will be employed within the next couple of years.

It was asked if it would be beneficial for the MTFPAC to look at the comparison of the management plan for the PRC and the Bluesource plan. David responded that is a possibility. As a public entity, the MDNR has a higher bar to make sure it's keeping stakeholders engaged. He could bring in Bluesource to have a more detailed conversation if the council would like. He feels it would be beneficial for the council to learn more about this since others are moving in this direction as well. The more we all have a common understanding, the better.

Decision: the MDNR will arrange to have Bluesource present to the council, and David will work on an analysis of the management plans vs. the Bluesource Plan. He suggested that the inventory will be done this fall, and once Bluesource has completed its modeling, probably in early 2021, he will have a representative come and present to the council.

It was asked if by signing an agreement the MDNR is guaranteeing some amount of carbon, but not 100% of what is standing. David responded that once an agreement is signed, the FRD will have the latitude to specify how many credits it wants to sell. It will be committed to selling some credits but will have some control over how much is sold. Also, Bluesource doesn't sell all the credits right out of the gate, but slowly over time.

4. **Regional State Forest Management Plan Update** – David Price

David also gave the following update on the Regional State Forest Management Plans.

Forest Resources Division obtained the services of Mason Bruce & Girard for Remsoft modeling to redo its state forest management plans. It has revised the management area boundaries and incorporated other values into the model. The end goal is to have new management plans in place by October 1, 2021. Below is a rundown of what's being done:

- Work with contractor to develop a Remsoft Woodstock model.
- Developed goals for the new plan.
- Developed implementation tools.
- Developed more robust in-house expertise and the capacity for using and modifying the models over time.

So far, the FRD has developed three teams: modeling, engagement, and writing. The teams are working concurrently. David gave a presentation and indicated we are currently in the December to April 2019 timeframe, due partially to the closures created by COVID. The FRD is developing a pilot model. The initial model will incorporate wildlife and other values and will be completed at the end of this week.

The FRD engaged with internal staff. They have had meetings with every management unit in the division. A survey will be sent to stakeholders in a few weeks and it will be used to shape the content of the plans and how to proceed with additional public engagement. The plan then is to start to run and initial model outputs, but not with stakeholders until a more final model is available. The FRD will have the availability to model for all sorts of things, so it will be running various scenarios. The plan is to release the first draft for public review early in 2021, and to have the new plan approved by the end of fiscal year 21.

Larry Leefers mentioned that he and Charlie had volunteered to work with the modeling team and David responded that once the division has wrapped up all the initial things that needed to be done; they will then loop them in to engage.

5. **MDNR Update – Jeff Stampfly (MDNR)**

Jeff reported he had just received updates on two of several different initiatives. He continued to give the following update:

- a. The FRD has mobilized people to go out west, CA, CO, AZ, Oregon. Once he received approval from the Office of State Employer to go, the division had engines on the road within hours.
- b. The division has north of 50,000 acres prepped this year in timber sales.
- c. The budget for fiscal year 20 has been settled since the last time Jeff met with the council. There's been a spending freeze, hiring freeze, and layoff days for about ten weeks, which culminated into a budget the division was able to get.
- d. The division pushed through some contracts, foresters are back in the field, and cultivation work is now taking place again.
- e. A Revenue Estimating Conference took place to discuss the budget for the upcoming year. The news from the conference was better than expected. The next step is to develop the fiscal year 21 budget, which is expected to be challenging. Fiscal year 2022 has been mentioned as well during the budget discussions. Jeff expects the hiring and spending freezes to stay in place going into FY21
- f. Vacancies – the Chief position is vacant in both the Forest Resources and the Wildlife divisions, but exemptions to the hiring freeze are being worked on for both positions. Jeff has been asked to stay as Acting Chief through at least the end of 2020. Within FRD there are 30 to 35 vacancies, some of which were vacant prior to COVID. FRD is working through the hiring exemption process for select positions. In the meantime, the division has been doing a few things it can personnel-wise but staffing next year may be a challenge.

6. **MEMBER UPDATES**

- a. Nick Monkevich – his company (VERSO) is now officially a two-mill system. At the end of July, there were nineteen people involved in fiber supply in the lake states who were furloughed. It's been a bad time in VERSO, and they are currently in a pattern to see what happens. They've started changing some of their procurement strategy and are trying to do some business with guys in Wisconsin. Markets are poor for their products right now. VERSO will be struggling with this for a while.
- b. Tim Biewer - usually when paper isn't doing well, lumber is doing well and vice versa. His company has been very busy on all fronts. Lumber is strong, treating is strong, the home center business has exploded, and they are having problems keeping products on the shelves at the home centers. About 50% of their shelves are still bare. Business is strong on the lumber side; housing is doing well, and it looks like it will continue as people are moving into suburban areas. They have projects ongoing at a lot of their facilities. They are also doing a \$40 million expansion at the McBain facility. The lumber market is pretty good.
- c. Gary Melow – Cadillac came online in July; they had some ups and downs at first, but it is now running consistently. They have been taking fuel for over a month. It was a lengthy process to rewind the generator, and the prospect is to be up and running in November. Hillman burned some wood in July.

Gary brought to the attention of the council a package of House Bills (5812 through 5017) which seek to overhaul the state's waste management regulations. This is the legislature's second attempt at this. They are moving away from materials to be reused. They had concerns with recycled woods. There are certain fuel supplies that may be submitted to regulations such as

reporting and bonding. He's not certain how the flow of certain materials would define operations. There is a renewed push to get these bills through. If it doesn't get through this year, the legislature will have to resubmit it next year. He reiterated the advisement that the MTFPAC members look at House Bills 5812-5817.

- d. Larry thanked Charlie for taking on the role of Chair. He reported that members of the Society of American Foresters, on the National Committee on Forest Policy, are developing position statements on the forest products industry. He will share this with the council so that if support or comment is needed, the council will have some framework to work from. He also reported that Dave Neumann and Jagdish Poudel, both from the MDNR, have headed up an effort for an economic contribution study. It was turned over from the Public Sector Consultants to them, and it will be finalized at some point.
- e. Ben Schram gave the following Michigan Department of Agriculture and Rural Development (MDARD) update: The Qualified Forest Program deadline is September 1. There have been Legislative changes for the last enrollment cycle. Last year there were almost 170,000 acres enrolled; this year it is down to close to 50,000 acres enrolled. MDARD is trying to sort through the reality of if we captured the low hanging fruit now, we'll have to shake the tree or the state of current society. They have been trying to poll different folks to see what ideas they have about it. He thinks all the people who were going to enroll already have. He also reported the Conservation District foresters are now scheduling their local advisory meetings. They plan to talk about family forest concerns in their area and look at program direction for the next year. There are many different entities at these meetings.
- f. Charlie reported what his feeling is on what the markets are doing. Most of the wood they have harvested, they have been able to move, but have had to adjust to the markets. The hope is that things are starting to improve; they have been fortunate to keep working and to keep their contractors working.

7. SUGGESTION FOR NEW COUNCIL MEMBERS

Charlie commented the council is still a couple members short based on JR stepping down and one other vacancy, so they are looking for three. He stated the need for name recommendations and is looking for someone possibly from the furniture industry. Gary said he has a contact at Steel Case and will make contact with them. Donna suggested working with Gary to look at the database for some possible contact. David Neumann can share names from PCA. There was a suggestion to contact someone from Graphics Packaging. **Decision:** Gary was appointed to investigate some names and to bring his suggestions back to the council at the next meeting.

8. 2020 CALLS AND FACE-TO-FACE MEETINGS

As of now there is a call in September and the next face-to-face and conference calls are set for rest of year. The next face-to-face will most likely be another virtual meeting and Kim was asked to check for the council. It's the hope of the council there can be a chance for a face-to-face meeting in February or March. The council was asked for their focus for the remainder of the year be to participate in the regular monthly conference calls plus one day-long meeting via virtual means.

9. FUTURE AGENDA ITEMS

The council was asked to send a note to Charlie with a copy to Kim if there are certain items they would like to see on the next meeting agenda, and they can begin to build the agendas for future calls.

Charlie adjourned the meeting at 2:13 p.m.