STRATEGIC ISSUES FOR US PNW TIMBERLANDS

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SDS COMPANIES

SDS Lumber Company

- Lumber
- Plywood
- Energy
- Chipping
- Marine Transport
- Forest Management
- Logging/Trucking
SDS COMPANIES

Stevenson Land Company
- 105,000 acres timberland, Oregon & Washington

Broughton Lumber Company
- 25,000 acres timberland

Mid – Columbia Gorge
Transition zone diversity
Non-declining flow
USFWS Safe Harbor Agreement
THREATS & OPPORTUNITIES IN TIMBERLAND?

Positives

- Fundamentals of timberland ownership generally sound
  - Demand for fiber
  - Demand for timberland
  - Markets for products
Concerns:

- Workforce
  - Foresters
  - Contractors

- Industry Manufacturing Capacity Headwinds
  - Rising costs
  - Tax environment
  - Regulatory environment
  - Workforce
    - laborers
    - Technicians
  - Localized fiber supply constraints
Concerns (cont’d)

- Continued consolidation of manufacturing capacity for survival will have implications for timberland owners

- **Regulatory Environment**
  - Herbicides
  - Endangered species – aquatic & upland
  - Unstable slopes
  - State Capital Gains tax
  - Carbon pricing

Regulatory set asides & loss of forestry tools = Loss of productive lands
OREGON & WASHINGTON REGULATORY ENVIRONMENTS IN COMPARISON

Oregon

- The land of Initiatives
  - Stream Buffers
  - Herbicides
  - Unstable slopes
- Board of Forestry
- Cap & Trade 2019
- Cap & Trade 2020
Oregon (cont’d)

- Significant uncertainty
- Costly, time & energy consuming battles on the horizon
- High risk of significant impacts to productive land base & timberland value
- Approaches to these regulatory risks can be divisive
- Oregon industry must remain unified in dealing with these risks
History in Washington
- Timber Fish & Wildlife Agreement (1986)
- Forest & Fish Agreement & HCP (2006)

Narrowing of issues

Political capital

Platform for cooperative, non-regulatory solutions
Washington (cont’d)

- Carbon approaches in WA
  - Cap & Trade initiative rejected by voters
  - Carbon Tax proposals
  - Forest industry proposal

HB 2528/SB 6355

- Recognition that the forestry and wood products industry are net sequesters of carbon
- Forestry and wood products must be considered as an integrated system
- The manufacture and use of wood products (stored carbon) is an essential element
- Forestry and wood products are part of a sensible, natural carbon solution. Grow more wood, Use more wood.
CONCLUSION

- Significant regulatory/political and tax risks exist throughout the PNW for the forest industry
- Diplomacy & cooperative solutions are more durable
- The forest industry is the only industry with an opportunity to claim the re-frame the discussion on carbon
- Re-defining the carbon issue, is an opportunity for our industry to offer solutions and lessen political and regulatory risks