Empire State Forest Products Association

The people behind New York's healthy forests and quality wood products

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Legislative Hearing on S. 4264-A

Climate & Community Investment Act

April 13, 2021

Good afternoon, my name is John Bartow, and I am the Executive Director of the Empire State Forest Products Association (ESFPA). Thank you for the opportunity to testify today and to share our views and comments on the Climate & Community Investment Act (CCIA). ESFPA represents the businesses, industries and landowners engaged in forest resource production and stewardship of New York's 19 million acres of forest. In total, $23 billion dollars in statewide economic impact and nearly 100,000 jobs are attributable to our working forests and the forest related economic sectors. There are nearly 700,000 private forest landowners who also depend on sound forest management and production to help them keep their forests as forests. Our vision for New York's working forests and wood products is that together they can provide economic, social and ecosystem benefits for all New Yorkers and communities so their benefits are there for generations to come.

ESFPA is committed to addressing climate change which is probably the biggest and most complex environmental, economic, and social issue affecting the planet let alone New Yorkers. Addressing climate change, however, should be done in a comprehensive, strategic, and accountable fashion reflecting the best approaches for mitigation, adaptation, regulation, and investment throughout New York State.

As a Trade Association of businesses, landowners, and professionals we have been and remain committed to responsible stewardship of our forest resources and business best management practices which will be a major component of any climate change policy or strategy. We know that our forests are the largest carbon sink containing over 2 billion tons of carbon stored in forest stocks. We also know that our forests sequester over 25 MMT tons of carbon dioxide annually and the durable harvested wood products ranging from flooring to furniture to construction materials sequester an additional 2 MMT annually.

Our comments today are focused on the Climate & Community Investment Act (CCIA) as drafted in S. 4264-A. While we have several concerns regarding the financial costs on taxpayers, rate payers and businesses and industry which prevent us from supporting the CCIA, we are committed to working with the Governor, New York State Legislature and all stakeholders on meaningful policy measures and applied management practices which will reduce carbon emissions and address climate change.

Our comments today focus on 5 broad areas of the proposed legislation.

1. **This legislation is HUGE.**

This legislation is huge not just in number of pages but in the breadth and depth to which it engineers the economic and social mechanisms addressed in it. It distances if not displaces the market mechanisms of the private sector in responding to climate change. While there is merit in criticizing the private sector and corporate response to climate change, we must not completely discount the role that markets, and capital will need to play if we are to respond effectively. We need to get to a point where climate policy and markets and capital are working towards common solutions, not at odds. This us versus them antagonism must stop if we are going to address our climate challenges,

2. **This legislation is premature and has not benefited from the integration analysis called for in the Climate Leadership and Community Protection Act.**

Since passage of the CLCPA in June 2019, we and hundreds of other stakeholders have been working with the Climate Action Council in developing the Scoping Plan called for in this landmark legislation. Delayed a bit by the COVID-19 Pandemic, the Advisory Panels are beginning to present their sector and economy specific recommendations to the Climate Action Council this week. Right on time with the timelines outlined in the CLCPA. Yesterday, as a matter in fact, 4 Advisory Panels presented on hundreds of recommendations that could have billions in costs associated with achieving the ambitious goals to 100% renewable electric generation by 2040 and reducing GHG's 40% by 2030, 85% by 2050 and achieving Net Zero GHG emissions by 2050.

As part of the next phase of this process the Climate Action Council, assisted by agency staff, will undertake an exhaustive "integrated analysis" of the recommendations provided by the advisory panels. In summary, the integration analysis will be designed in conformance with the requirements of the Climate Act, specifically Section 75-0103(14)(B). This required quantitative analysis will estimate the total emission reductions associated with recommended measures to achieve the Climate Act's goals in the Draft Scoping Plan and will evaluate the total costs and benefits of statewide emissions reduction scenarios developed employing these recommendations. The integration analysis will provide a common framework from which estimated emission reductions and evaluated costs and benefits will be available to inform the CAC's development of the Draft Scoping Plan, incorporating insights from the sector-specific advisory panels including those working groups looking across sectors.

This integrated analysis should be completed prior to legislative or other designed financing mechanisms are created. We do not yet know the complete picture of what financing and implementation tools we will need and acting prematurely may have unintended consequences on our economy or meeting the goals of the CLCPA.

3. **This legislation places a fee on the Title V emissions and establishes a climate pollution fee on CO2e for generating the revenue to support financing of climate mitigation and transition projects.**

This legislation places it funding mechanism on the Clean Air Act Title V emissions which represent less than 25% of the GHG and other air emissions from electric generation and manufacturing and production facilities released in New York. In addition, the legislation establishes a climate pollution fee on CO2e. These fees would result in increased costs to rate payers and consumers of manufactured products. In addition, there are institutional, academic, and medical facilities that would be impacted by these fees. Consideration of the unintended consequences of impacts of price on low to moderate income families and on the competitive disadvantage to manufactured products within New York should be considered.

The imposition of these fees at this time could not be worse for manufacturing. We calculated what a $55/ton fee would be on one of our mills and it could add over $10 million in additional fees on an already stressed energy intensive/trade exposed manufacturer. This would not be sustainable. Our manufacturers are still reeling from the COVID-19 Pandemic and the recession it has caused. Markets remain down, workforce challenges remain, and we need everything we can to turn this economy back on and to grow it.

4. **The Climate Pollution Fee portion of this legislation fails to acknowledge the difference between biogenic and geologic carbon sources.**

There is an established body of science that advances the fundamental difference between energy supply from fossil fuels and from biomass: burning fossil fuels releases carbon that has been locked up in the ground for millions of years, while burning biomass emits carbon that is part of the biologic carbon cycle**.** In other words, fossil fuel use increases the total amount of carbon in the atmosphere while bioenergy systems operate *within* this system; biomass energy consumption across energy sectors simply returns to the atmosphere the carbon that was absorbed as the plants grew.

There is an immediate need to deal with the complexity of carbon accounting as it relates to bioenergy and wood materials. Using biological feedstocks (e.g., forest wood and other plant materials) for purposes such as electricity or thermal generation, liquid fuels for transportation or heating, or as building materials, furniture, and flooring leads to either emissions or sequestration. Scientists are studying the benefits and tradeoffs associated with different carbon management scenarios in a variety of forest and crop types around the world.

The GHG accounting for annual emissions reporting required in the CLCPA is developing accounting practices that take into consideration sequestration in accounting for biogenic sources of carbon. This should be reflected in the accounting called for in this legislation. Again, we are putting the cart before the horse in drafting this as it is in the bill.

5. **The Legislation does not sufficiently deal with directing revenues generated to projects benefiting those directly impacted.**

The legislation does not sufficiently direct the use of revenues or other allocated resources generated to achieving the targets for those who have the greatest potential to affect carbon benefits. It seems only reasonable that there would be an equitable distribution of resources to affected businesses and parties that are expected to carry out provisions of the bill. While we can certainly understand the targets for disadvantaged communities identified in the bill, there is no corresponding requirement that the revenues generated are comparably redirected back to those most impacted by the requirements of the legislation or most able to deliver the intended carbon reductions and climate mitigation called for in the bill.

6. **This legislation could create a competitive disadvantage to existing NY manufacturers leading to leakage and discouraging manufacturing investment in NY**

Overall, there are over 1 million fewer manufacturing jobs in New York than 50 years ago in 1970. This has been most impactful in metropolitan areas both upstate and downstate. The loss of manufacturing jobs created a significant drag on job growth in NY, particularly upstate. Since the recession in 2008-09 New York is the only state who has not regained manufacturing and the Pandemic recession stands to impact manufacturing yet again. The loss of manufacturing jobs creates a significant drag on job growth in New York and explains much of the growth on income inequality. Manufacturing jobs provided working class people with relatively high incomes. Today, the opportunities that manufacturing provided to people with high school educations have sharply declined.

In our forest and wood products sector we still have relatively healthy manufacturing contributing to a nearly $23 billion direct and indirect economic output and just under 100,000 jobs. But the way that we are treating the role of harvested wood products in our climate policy is threatening the continuance of this sector and is discouraging investment and creating disinvestment in the sector.

While the CCIA deals a lot with leakage, just transition and adversely affected workers, we need more than just a fund for reacting to consequences. We need to proactively look to transitioning existing facilities into the manufacturing and production we need going forward.

As part of the Agriculture and Forestry Advisory Panel to the CAC, we have put a lot into the role that forests and wood products provide both to solving our climate problems through sequestration, storage, and substitution benefits of wood products and as an economic opportunity to grow New York's first green economy, wood product manufacturing. But doing so will require that we do five things:

- First, we need to retain and expand the manufacturing and supply chains that exist in our forest-based economy today to ensure we have the supply chains for the future bioeconomy. I we see disinvestment in what we have today and lose critical infrastructure and supply chains such as loggers, we will not be able to grow the bioeconomy in the future.
- Second, we need to invest in the applied research and technological innovation that will unleash the bioeconomy of the future. We need to accelerate the commercialization of biobased processing and create new products.
- Third, we need to accept that what we currently make using fossil fuels we can make from biomass - diesel to biodiesel, plastics to bioplastics and petrochemicals to biochemicals.
- Fourth, we need to decide as to whether we want to host and grow those advanced bio-based processing facilities and manufacturing plants in our communities and have the jobs, tax base and wealth that comes with them.
- And fifth, we need to create a welcoming environment for the private sector capital that will be required to advance this bio-based economy. Capital goes where capital is welcome and do not underestimate the need for private capital. Indeed, it is the only investment that will make this happen.

If the CCIA is perceived as an affront to manufacturing and there are those who already have this perception, then we will not materially change the climate problem and only move it out of New York.

In conclusion, ESFPA supports efforts to address carbon emissions that in turn cause climate change in a way that maximizes the mitigation provided by forests and wood products they produce. As an Association comprised of forest landowners, practitioners, and wood product manufacturers we are committed to addressing the impacts of global warming in a manner that is economically beneficial while offering viable forest related solutions to climate change.

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