

**Great Lakes Forest Alliance
Conference**

**"Crisis or Opportunity"
Hilton Monona Terrace
Remarks by Kevin W. Korpi
June 24, 2008**

Good afternoon. It is a privilege and honor to be with you. Thank you, to Great Lakes Forest Alliance (GLFA) members and staff, for putting together a great conference.

You don't know how nice it is to be in Madison. Michigan's State Legislature plans to recess for summer this week. Strange things, as you know, tend to happen just before break. Blame it on the full moon, or more likely, term limits. So it is either good or very bad for me to be here with you today!

With 84% of Americans feeling the country is on the wrong track, we welcome the rest of you to Michigan's (previously) single state recess. Misery loves company, I guess!

JFK once said, "*When written in Chinese, the work **CRISIS** is composed of two characters. One represents DANGER, the other REPRESENTS OPPORTUNITY*". Those words ring true today.

Form Michigan's viewpoint, we are blessed with 19.3 million forested acres. It is the majority landscape cover at 56% of Michigan's land mass, added 7% forest growth in the last 10 years, and is near the top in annual forest growth and surplus.

Michigan's forestland ownership is diverse: 57% owned by the private landowners, 8% by mostly REITS or TIMOS and 35% controlled by the public sector. Regardless, forests support jobs, curb global climate change and provide countless recreationally opportunities.

Michigan has a large bio-based economy. Forest products are Michigan's second largest manufacturing industry, only behind the automobile sector. In rural communities, forest products are the primary economic driver.

So there are countless social, environmental and economic benefits that are derived from our State's vast forest resources and agricultural diversity.

Michigan's existing bio-economy, Ag and Forest Products combined, contributes \$40 billion annually to State GDP and supports over 1 million jobs and families.

Enhancing Michigan's bio-based economy, therefore, is essential (even in the best of economic times, but certainly today).

The bio-based and forest products economies are synonymous, two sides of the same coin...if you will. This kind of inclusive thinking is required, I think, to achieve innovations, quality and solutions.

In that light, we must improve the global competitiveness of the region's forest products economy.

It is not news to you that companies, and policy makers, face some unprecedented weakness.

With a recess, historic low housing starts, difficult credit, high fuel prices and lost manufacturing jobs (25,000 forest products industry jobs along since 2002). Dark, ominous, economic clouds for sure.

The industry has, and will continue, to navigate changes. Things tend to follow economic cycles, and we should see improvement when the economy rebounds.

The US leads the world in the consumption of forest and petroleum products. The daily wood consumption of Americans is 13 pounds. The average American consumes 8.3 TOE (tons of oil equivalents) per person. US oil consumption is 20 million barrels per day. Total US transportation fuel demand, mostly petroleum based, tops 200 billion gallons per year.

Renewed strong domestic demand, coupled with national security and environmental advantages, presents a real opportunity.

A 2005 report from USDA and DOE concludes the US is capable of producing a sustainable supply of 1.3 billion tons per year of cellulosic biomass. The US DOE has set a goal of producing 60 billion gallons of biofuels for transportation, meeting 30% of the current US demand by 2030. Michigan's renewable fuels commission recommended a similar renewable fuels portfolio standard – 1.7 billion gallons of bio-fuels (first and second generation production technology by 2027).

There is a strong trend away from the food for fuel issue.

Sources of fuel / mixed feed stocks

- Existing Corn Based
- First gen. Wood & Crop
- Second gen. direct fuel

Energy feedstock yields are a major factor with production from cellulosic enzymatic or gasification technologies. Venture capitalist, Vinod Kholsa estimates yields will have to be roughly 2000 gallons of oil per acre to be economically sustainable long-term. For cellulosic ethanol in the short term, yields would have to be 10 tons per acre rising to 20-25 tons per acre to be economically viable.

Therefore, integrated bio-refinery facilities will have to be located next to feedstock sources, transferred through current transportation channels, and have multiple species mixes.

Michigan has targeted growth in the bio-economy. The state sees opportunity to attract forest products and clean energy investment through a myriad of programs, incentives, technology and research through the 21st Century Jobs Fund including, but not limited, to:

(Donna LeCourt)

- Qualified Forest Practices and CFA Program
- Tax Free (Ren Zones) for forest products and alternative energy investment
- Anchor Zone Credits
- Michigan Economic Growth Authority Grants
- Centers of Energy Excellence
- Academic Research Partners/ Clusters including MSU and MTU
"wood to wheels"

- Focus on the feed stock supply chain, from the woods to the pump

The industry, however, has a crisis feel today largely because of uncertainty in wood supply, input costs, and competition.

What must we do to change danger into opportunity?

In our view, Michigan must join other Midwest states in a **PROJECT GREEN**; a Lake State's strategic initiative to grow the bio-economy. Investment in this space will follow innovation and feed stock supply. A key goal should be to substantially increase sustainable fiber supply availability, doubling or tripling growth, of high value wood species both for manufacturing and biomass crops, (like willows, Hybrid Poplars, Black Locusts, Sliver Maple Miscathus, and grasses), ideal in our region.

The benefits are many, soil and water conservation, wildlife habitat and CO2 sequestration, to name a few. Co-production, such as pulp and paper, improves the competitiveness of those major job providers and, alternative bio-fuels, lessen the dependence on foreign oil.

As policy leaders, action is required. Sure, many challenges will have to be overcome. Governments will have to cooperate, much like the regional climate change collaboration. Financial resources must be committed to research and development (woods to wheels). State, Federal and Private landowners will have to improve forest management, like European harvest levels. Fiber supply availability is

absolutely essential. Moreover, industry must invest to achieve transportation efficiencies, reduce costs and improve productivity.

All three states and the Province of Ontario should establish a goal of 100% increase in sustainable fiber supplies (from all landowners and sources) by 2012.

The markets will develop in the US. Are we poised to capture the opportunity? Multiple billions of dollars of revenue and thousands of jobs are at stake.

Project Green recognizes that our planet cannot be taken for granted. Biomass, and integrated forest products manufacturing, is the best approach to reduce both fossil energy use and greenhouse gas emissions. You grow more trees, if you use wood!

In conclusion, let me leave you with words of wisdom from the late, great, George Carlin who said, "I don't believe there's any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can't completely ignore. PAUSE.

Let's find the humor, but roll up our sleeves and go to work!

THANK YOU