

106TH CONGRESS
1ST SESSION

S. 1457

To amend the Energy Policy Act of 1992 to assess opportunities to increase carbon storage on national forests derived from the public domain and to facilitate voluntary and accurate reporting of forest projects that reduce atmospheric carbon dioxide concentrations, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 29, 1999

Mr. WYDEN (for himself and Mr. CRAIG) introduced the following bill; which was read twice and referred to the Committee on Energy and Natural Resources

A BILL

To amend the Energy Policy Act of 1992 to assess opportunities to increase carbon storage on national forests derived from the public domain and to facilitate voluntary and accurate reporting of forest projects that reduce atmospheric carbon dioxide concentrations, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Forest Resources for
5 the Environment and the Economy Act”.

1 **SEC. 2. FINDINGS AND PURPOSES.**

2 (a) FINDINGS.—Congress finds that—

3 (1) the Federal Government should increase the
4 forest carbon storage on public land while pursuing
5 existing statutory objectives;

6 (2) insufficient information exists on the oppor-
7 tunities to increase carbon storage on public land
8 through improvements in forest land management;

9 (3) important environmental benefits to na-
10 tional forests can be achieved through cooperative
11 forest projects that enhance fish and wildlife habi-
12 tats, water, and other resources on public or private
13 land located in national forest watersheds;

14 (4) forest projects also provide economic bene-
15 fits, including—

16 (A) employment and income that con-
17 tribute to the sustainability of rural commu-
18 nities; and

19 (B) ensuring future supplies of forest
20 products;

21 (5) monitoring and verification of forest carbon
22 storage provides an important opportunity to create
23 employment in rural communities and substantiate
24 improvements in natural habitats or watersheds due
25 to forestry activities; and

1 (6) sustainable production of biomass energy
2 feedstocks provides a renewable source of energy
3 that can reduce carbon dioxide emissions and im-
4 prove the energy security of the United States by di-
5 versifying energy fuels.

6 (b) PURPOSE.—The purpose of this Act is to promote
7 sustainable forestry in the United States by—

8 (1) increasing forest carbon sequestration in the
9 United States;

10 (2) improving the health of national forests;

11 (3) enhancing wildlife and fish habitats;

12 (4) improving water quality;

13 (5) providing employment and income to rural
14 communities;

15 (6) providing new sources of forest products;

16 and

17 (7) increasing use of renewable biomass energy

18 and improving the energy security of the United

19 States.

20 **SEC. 3. DEFINITIONS.**

21 In this Act:

22 (1) FORESTRY CARBON ACTIVITY.—The term

23 “forestry carbon activity” means a forest manage-

24 ment action that—

1 (A) increases long-term carbon storage;
2 and

3 (B) has a positive impact on watersheds,
4 fish habitats, and wildlife diversity.

5 (2) FOREST CARBON RESERVOIR.—The term
6 “forest carbon reservoir” means trees, roots, soils, or
7 other biomass associated with forest ecosystems or
8 products from the biomass that store carbon.

9 (3) FOREST CARBON STORAGE.—The term
10 “forest carbon storage” means the quantity of car-
11 bon sequestered from the atmosphere and stored in
12 forest carbon reservoirs, including forest products.

13 (4) FOREST LAND.—

14 (A) IN GENERAL.—The term “forest land”
15 means land that is, or has been, at least 10 per-
16 cent stocked by forest trees of any size.

17 (B) INCLUSIONS.—The term “forest land”
18 includes—

19 (i) land that had such forest cover
20 and that will be naturally or artificially re-
21 generated; and

22 (ii) a transition zone between a for-
23 ested and nonforested area that is capable
24 of sustaining forest cover.

25 (5) FOREST MANAGEMENT ACTION.—

1 (A) IN GENERAL.—The term “forest man-
2 agement action” means the practical application
3 of forestry principles to the regeneration, man-
4 agement, utilization, and conservation of forests
5 to meet specific goals and objectives, while
6 maintaining the productivity of the forests.

7 (B) INCLUSIONS.—The term “forest man-
8 agement action” includes management of for-
9 ests for aesthetics, fish, recreation, urban val-
10 ues, water, wilderness, wildlife, wood products,
11 and other forest values.

12 (6) NATIONAL FOREST WATERSHED.—The term
13 “national forest watershed” means a watershed—

14 (A) that contains national forest land;

15 (B) that consequently has unique interest
16 to Federal land managers; and

17 (C) in which all landowners, including the
18 Federal Government, share interest and influ-
19 ence in the management and health of the wa-
20 tershed.

21 (7) REFORESTATION.—

22 (A) IN GENERAL.—The term “reforest-
23 ation” means the reestablishment of forest
24 cover naturally or artificially.

1 (B) INCLUSIONS.—The term “reforest-
2 ation” includes—

3 (i) planned replanting;

4 (ii) reseeding; and

5 (iii) managed natural regeneration.

6 (8) REVOLVING LOAN FUND.—The term “re-
7 volving loan fund” means a State revolving loan
8 fund established under section 5.

9 (9) SECRETARY.—The term “Secretary” means
10 the Secretary of Agriculture.

11 (10) SEQUESTRATION.—The term “sequestra-
12 tion” means the action of vegetable matter in—

13 (A) extracting carbon dioxide from the at-
14 mosphere through photosynthesis;

15 (B) converting the carbon dioxide to car-
16 bon; and

17 (C) storing the carbon in the form of roots,
18 stems, soil, or foliage.

19 **SEC. 4. CARBON MANAGEMENT ON FEDERAL LAND; CAR-**
20 **BON MONITORING AND VERIFICATION**
21 **GUIDELINES.**

22 (a) DEFINITIONS.—Title XVI of the Energy Policy
23 Act of 1992 is amended by inserting before section 1601
24 (42 U.S.C. 13381) the following:

1 **“SEC. 1600. DEFINITIONS.**

2 “In this title:

3 “(1) FOREST CARBON STORAGE.—The term
4 ‘forest carbon storage’ means the quantity of carbon
5 sequestered from the atmosphere and stored in for-
6 est carbon reservoirs, including forest products.

7 “(2) CARBON STORAGE PROGRAM.—The term
8 ‘carbon storage program’ means the program estab-
9 lished by the Secretary of Agriculture under section
10 5 of the Forest Resources for the Environment and
11 the Economy Act, to provide assistance through
12 State revolving loan funds.

13 “(3) FOREST CARBON RESERVOIR.—The term
14 ‘forest carbon reservoir’ means trees, roots, soils, or
15 other biomass associated with forest ecosystems or
16 products from the biomass that store carbon.

17 “(4) FOREST MANAGEMENT ACTION.—

18 “(A) IN GENERAL.—The term ‘forest man-
19 agement action’ means the practical application
20 of forestry principles to the regeneration, man-
21 agement, utilization, and conservation of forests
22 to meet specific goals and objectives, while
23 maintaining the productivity of the forests.

24 “(B) INCLUSIONS.—The term ‘forest man-
25 agement action’ includes management of forests
26 for aesthetics, fish, recreation, urban values,

1 water, wilderness, wildlife, wood products, and
2 other forest values.

3 “(5) SEQUESTRATION.—The term ‘sequestra-
4 tion’ means the action of vegetable matter in—

5 “(A) extracting carbon dioxide from the at-
6 mosphere through photosynthesis;

7 “(B) converting the carbon dioxide to car-
8 bon; and

9 “(C) storing the carbon in the form of
10 roots, stems, soil, or foliage.”.

11 (b) CARBON MANAGEMENT ON FEDERAL LAND.—
12 Section 1604 of the Energy Policy Act of 1992 (42 U.S.C.
13 13384) is amended—

14 (1) by inserting “(a) REPORT.—” before
15 “Not”; and

16 (2) by adding at the end the following:

17 “(b) CARBON MANAGEMENT ON FEDERAL LAND.—

18 “(1) IN GENERAL.—Not later than 1 year after
19 the date of enactment of this subsection, after con-
20 sultation with appropriate Federal agencies, the Sec-
21 retary of Agriculture shall report to Congress on—

22 “(A) the quantity of carbon contained in
23 the forest carbon reservoir on national forests
24 derived from the public domain, and the meth-

1 odology and assumptions used to ascertain that
2 quantity;

3 “(B) the potential to increase that quan-
4 tity and provide positive impacts on watersheds
5 and fish and wildlife habitats through forest
6 management actions; and

7 “(C) the role of forests in the carbon cycle
8 and the contributions of forestry to the global
9 carbon budget.

10 “(2) CONTENTS.—The report shall also include
11 an assessment of any impacts of the forest manage-
12 ment actions identified under paragraph (1)(B) on
13 timber harvests, wildlife habitat, recreation, forest
14 health, and other statutory objectives of national for-
15 est management on a watershed basis.”.

16 (c) MONITORING AND VERIFICATION OF CARBON
17 STORAGE.—Section 1605(b) of the Energy Policy Act of
18 1992 (42 U.S.C. 13385(b)) is amended by adding at the
19 end the following:

20 “(5) GUIDELINES ON REPORTING, MONITORING,
21 AND VERIFICATION OF CARBON STORAGE FROM FOR-
22 EST MANAGEMENT ACTIONS.—

23 “(A) IN GENERAL.—Not later than 18
24 months after the date of enactment of this
25 paragraph, the Secretary of Agriculture shall—

1 “(i) review the guidelines established
2 under paragraph (1) that address proce-
3 dures for the accurate voluntary reporting
4 of greenhouse gas sequestration from for-
5 est management actions; and

6 “(ii) make recommendations to the
7 Secretary of Energy for amendment of the
8 guidelines.

9 “(B) CARBON AND FORESTRY ADVISORY
10 COUNCIL.—

11 “(i) ESTABLISHMENT.—The Secretary
12 of Agriculture shall establish a Carbon and
13 Forestry Advisory Council for the purpose
14 of—

15 “(I) advising the Department of
16 Agriculture in the development of
17 guidelines for accurate voluntary re-
18 porting of greenhouse gas sequestra-
19 tion from forest management actions;

20 “(II) evaluating the potential im-
21 plementation of the guidelines;

22 “(III) estimating the effect of
23 proposed implementation on atmos-
24 pheric carbon mitigation;

1 “(IV) reviewing and updating the
2 guidelines;

3 “(V) assisting the Secretary of
4 Agriculture in reporting annually to
5 Congress on the results of the carbon
6 storage program; and

7 “(VI) assisting the Secretary of
8 Agriculture in assessing the vulner-
9 ability of forests to climate change.

10 “(ii) MEMBERSHIP.—The Advisory
11 Council shall be composed of the following
12 18 members with interest and expertise in
13 carbon sequestration and forestry manage-
14 ment, appointed by the Secretary:

15 “(I) 1 member representing na-
16 tional professional forestry organiza-
17 tions.

18 “(II) 2 members representing en-
19 vironmental or conservation organiza-
20 tions.

21 “(III) 1 member representing
22 nonindustrial, private landowners.

23 “(IV) 1 member representing for-
24 est industry.

1 “(V) 1 member representing for-
2 estry trade associations.

3 “(VI) 1 member representing for-
4 est laborers.

5 “(VII) 3 members representing
6 the academic scientific community.

7 “(VIII) 2 members representing
8 State forestry organizations.

9 “(IX) 1 member representing the
10 Department of Energy.

11 “(X) 1 member representing the
12 Environmental Protection Agency.

13 “(XI) 1 member representing the
14 Department of Agriculture.

15 “(XII) 1 member representing
16 the Department of the Interior.

17 “(XIII) 1 member representing
18 the National Aeronautics and Space
19 Administration.

20 “(XIV) 1 member representing
21 the National Oceanic and Atmospheric
22 Administration.

23 “(iii) TERMS.—

24 “(I) IN GENERAL.—Except as
25 provided in subclause (III), a member

1 of the Advisory Council shall be ap-
2 pointed for a term of 3 years.

3 “(II) CONSECUTIVE TERMS.—No
4 individual may serve on the Advisory
5 Council for more than 2 consecutive
6 terms.

7 “(III) INITIAL TERMS.—Of the
8 members first appointed to the Advi-
9 sory Council—

10 “(aa) 1 member appointed
11 under each of subclauses (II),
12 (VI), (VII), (VIII), (X), and
13 (XIII) of clause (ii) shall serve
14 an initial term of 1 year; and

15 “(bb) 1 member appointed
16 under each of subclauses (I),
17 (IV), (VII), (IX), (XI), and
18 (XIV) shall serve an initial term
19 of 2 years.

20 “(iv) VACANCY.—A vacancy on the
21 Advisory Council shall be filled in the man-
22 ner in which the original appointment was
23 made.

24 “(v) CONTINUATION.—Any member
25 appointed to fill a vacancy occurring before

1 the expiration of the term shall be ap-
2 pointed only for the remainder of the term.

3 “(vi) COMPENSATION.—

4 “(I) IN GENERAL.—Except as
5 provided in subclause (II), a member
6 of the Advisory Council shall serve
7 without compensation, but may be re-
8 imbursed for reasonable costs in-
9 curred while in the actual perform-
10 ance of duties vested in the Advisory
11 Council.

12 “(II) FEDERAL OFFICERS AND
13 EMPLOYEES.—A member of the Advi-
14 sory Council who is a full-time officer
15 or employee of the United States shall
16 receive no additional compensation or
17 allowances because of the service of
18 the member on the Advisory Council.

19 “(III) SUPPORT.—The Secretary
20 of Agriculture shall provide financial
21 and administrative support for the
22 Advisory Council.

23 “(C) PUBLIC COMMENT.—The Secretary of
24 Agriculture shall provide an opportunity for
25 public comment on the guidelines established

1 under subparagraph (A) that address proce-
2 dures for the accurate voluntary reporting of
3 greenhouse gas sequestration from forest man-
4 agement actions.

5 “(D) CRITERIA.—

6 “(i) IN GENERAL.—The recommenda-
7 tions described in subparagraph (A)(ii)
8 shall include reporting guidelines that—

9 “(I) are based on—

10 “(aa) measuring increases in
11 carbon storage in excess of the
12 carbon storage that would have
13 occurred in the absence of the re-
14 forestation, forest management,
15 forest protection, or other forest
16 management actions; and

17 “(bb) comprehensive carbon
18 accounting that reflects net in-
19 creases in the carbon reservoir
20 and takes into account any car-
21 bon emissions resulting from dis-
22 turbance of carbon reservoirs ex-
23 isting at the start of a forest
24 management action;

25 “(II) include options for—

1 “(aa) estimating the indirect
2 effects of forest management ac-
3 tions on carbon storage, includ-
4 ing possible emissions of carbon
5 that may result elsewhere as a
6 result of the project’s impact on
7 timber supplies or possible dis-
8 placement of carbon emissions to
9 other lands owned by the report-
10 ing party; and

11 “(bb) quantifying the ex-
12 pected carbon storage over var-
13 ious time periods, taking into ac-
14 count the likely duration of car-
15 bon stored in the carbon res-
16 ervoir.

17 “(ii) ACCURATE MONITORING, MEAS-
18 UREMENT, AND VERIFICATION.—

19 “(I) IN GENERAL.—The rec-
20 ommendations described in subpara-
21 graph (A)(ii) shall include rec-
22 ommended practices for monitoring,
23 measurement, and verification of car-
24 bon storage from forest management
25 actions.

1 “(II) REQUIREMENTS.—The rec-
2 ommended practices shall, to the max-
3 imum extent practicable—

4 “(aa) be based on statis-
5 tically sound sampling strategies
6 that build on knowledge of the
7 carbon dynamics of forests and
8 agricultural land;

9 “(bb) include cost-effective
10 combinations of inexpensive
11 measurements of field conditions
12 with modeling to compute carbon
13 stocks and changes in stocks;

14 “(cc) include guidance on
15 how to sample and calculate car-
16 bon sequestration across multiple
17 participating ownerships; and

18 “(dd) not prevent use of
19 more precise measurements, if
20 desired by a reporting entity.

21 “(E) STATE CARBON STORAGE PRO-
22 GRAMS.—The recommendations described in
23 subparagraph (A)(ii) shall include guidelines to
24 States for reporting, monitoring, and verifying

1 carbon storage under the carbon storage pro-
2 gram.

3 “(F) BIOMASS ENERGY PROJECTS.—The
4 recommendations described in subparagraph
5 (A)(ii) shall include guidelines for calculating
6 net greenhouse gas reductions from biomass en-
7 ergy projects, including—

8 “(i) net changes in carbon storage re-
9 sulting from changes in land use; and

10 “(ii) the effect that using biomass to
11 generate electricity (including cofiring of
12 biomass with fossil fuels) has on the dis-
13 placement of greenhouse gas emissions
14 from fossil fuels.

15 “(G) AMENDMENT OF GUIDELINES.—Not
16 later than 180 days after receiving the rec-
17 ommendations from the Secretary of Agri-
18 culture, the Secretary of Energy, acting
19 through the Administrator of the Energy Infor-
20 mation Administration, shall revise the guide-
21 lines established under paragraph (1) to include
22 the recommendations.

23 “(H) REVIEW OF GUIDELINES BY THE AD-
24 VISORY COUNCIL.—

1 “(i) PERIODIC REVIEW.—At least
2 every 24 months, the Secretary of Agri-
3 culture shall—

4 “(I) convene the Advisory Coun-
5 cil to evaluate the latest scientific and
6 observational information on report-
7 ing, monitoring, and verification of
8 carbon storage from forest manage-
9 ment actions; and

10 “(II) issue revised guidelines for
11 reporting, monitoring, and verification
12 of carbon storage from forest manage-
13 ment actions as necessary.

14 “(ii) CONSISTENCY WITH FUTURE
15 LAWS.—The Secretary of Agriculture shall
16 convene the Advisory Council as necessary
17 to ensure that the guidelines for reporting,
18 monitoring, and verification of carbon stor-
19 age from forest management actions are
20 revised to be consistent with any Federal
21 laws enacted after the date of enactment of
22 this Act that provide recognition, credit, or
23 reward for reductions of atmospheric
24 greenhouse gas concentrations resulting
25 from forest management actions.

1 “(6) MONITORING OF CARBON STORAGE PRO-
2 GRAMS BY PARTICIPATING STATES.—

3 “(A) IN GENERAL.—Each State that par-
4 ticipates in the carbon storage program shall, in
5 accordance with the guidelines issued under
6 paragraph (1), monitor and verify carbon stor-
7 age achieved under the program.

8 “(B) REPORTS.—

9 “(i) STATES.—Each State shall report
10 annually to the Secretary of Agriculture on
11 the results of the carbon storage program.

12 “(ii) SECRETARY OF AGRICULTURE.—

13 The Secretary of Agriculture shall—

14 “(I) maintain a database on the
15 results of the carbon storage program;
16 and

17 “(II) report annually to Congress
18 on the results of the carbon storage
19 program, including an assessment of
20 the effectiveness of monitoring and
21 verification.

22 “(C) REPORTING OF CARBON STORAGE.—

23 “(i) IN GENERAL.—For each project
24 under the carbon storage program funded,
25 in whole or in part, with funds provided by

1 nongovernmental organizations, businesses,
2 or other persons, for each year in which
3 the carbon storage is realized from the
4 project, the State shall submit to the non-
5 governmental organizations, businesses, or
6 other persons and the Secretary of Agri-
7 culture a report that—

8 “(I) states the quantity of carbon
9 storage realized; and

10 “(II) includes the data used to
11 monitor and verify the carbon storage.

12 “(ii) GUIDELINES.—The carbon stor-
13 age shall be calculated, monitored, and
14 verified according to guidelines issued
15 under paragraph (5).

16 “(iii) REVIEW BY THE SECRETARY OF
17 AGRICULTURE.—The Secretary of Agri-
18 culture shall—

19 “(I) review each report under
20 clause (i) to verify compliance with
21 the guidelines under clause (ii);

22 “(II) if the report is in compli-
23 ance, certify that the report is in com-
24 pliance, notify the State, participating
25 nongovernmental organizations, busi-

1 nesses, or other persons, and submit a
2 copy of the certified report to the Sec-
3 retary of Energy; and

4 “(III) if the report is not in com-
5 pliance, notify the State and the par-
6 ticipating nongovernmental organiza-
7 tions, businesses, or other persons of
8 any corrections that are needed for
9 certification, and establish an oppor-
10 tunity for resubmittal by the State.

11 “(iv) INCLUSION IN DATA BASE.—The
12 Secretary, acting through the Adminis-
13 trator of the Energy Information Adminis-
14 tration, shall—

15 “(I) include the reports under
16 clause (i) in the data base maintained
17 under subsection (b)(4); and

18 “(II) establish a reporting proc-
19 ess to ensure the avoidance of double
20 counting of carbon storage from for-
21 estry activities.”.

22 **SEC. 5. CARBON STORAGE AND WATERSHED RESTORATION**
23 **PROGRAM.**

24 (a) NATIONAL FOREST WATERSHED RESTORATION
25 COOPERATIVE AGREEMENTS.—The Secretary may enter

1 into cooperative agreements with willing State and local
2 governments, Indian tribes, private and nonprofit entities,
3 and landowners for protection, restoration, and enhance-
4 ment of fish and wildlife habitat and other resources on
5 public land, Indian land, or private land in a national for-
6 est watershed.

7 (b) REVOLVING LOAN FUNDS.—

8 (1) IN GENERAL.—In collaboration with State
9 Foresters and nongovernmental organizations, the
10 Secretary shall establish a program to provide assist-
11 ance through State revolving loan funds to Indian
12 tribes and owners of nonindustrial private forest
13 land to undertake forestry carbon activities.

14 (2) ELIGIBILITY.—

15 (A) PRIVATE FOREST LANDOWNERS.—An
16 owner of private forest land shall be eligible for
17 assistance from a revolving loan fund if the
18 owner owns not more than 5,000 acres of non-
19 industrial private forest land.

20 (B) INDIAN TRIBES.—Any Indian Tribe
21 shall be eligible for assistance from a revolving
22 loan fund.

23 (3) FORESTRY CARBON ACTIVITIES.—

24 (A) OBJECTIVES OF FORESTRY CARBON
25 ACTIVITIES.—Eligible forestry carbon activities

1 shall be activities that, when evaluated in their
2 entirety for a watershed—

3 (i) increase long-term carbon storage
4 or provide new sources of biomass feed-
5 stocks for renewable energy generation;
6 and

7 (ii) have a positive impact on water-
8 sheds, fish habitats, and wildlife diversity.

9 (B) GUIDANCE.—The Secretary, in col-
10 laboration with States, shall provide guidance
11 on eligible forestry carbon activities based on
12 the criteria of this Act, recognizing that States
13 should have maximum flexibility to achieve the
14 purposes of this Act in ways most appropriate
15 for each State.

16 (C) ACTIVITIES REQUIRED UNDER OTHER
17 LAW.—Funding shall not be provided under
18 this section for activities required under other
19 applicable Federal, State, or local laws.

20 (D) PREAGREEMENT ACTIVITIES.—Fund-
21 ing shall not be provided for costs incurred be-
22 fore entering into a loan agreement with the
23 State under this Act.

24 (E) LIMITATION ON LAND CONSIDERED
25 FOR FUNDING.—States shall not enter into new

1 loan agreements under this Act to fund refor-
2 estation of land that has been harvested after
3 the date of enactment of this Act if the land-
4 owner receives revenues from the harvest suffi-
5 cient to reforest the land.

6 (F) NATIVE SPECIES.—Funding of refor-
7 estation activities shall be provided only for a
8 species that is native to a region, with pref-
9 erence given to species that formerly occupied
10 the land.

11 (G) SUSTAINABLE FOREST MANAGEMENT
12 PLAN.—States shall give priority to projects on
13 land under a sustainable forestry management
14 program or forest stewardship plan, if the
15 projects are consistent with the program or
16 plan.

17 (H) COOPERATIVE AGREEMENTS.—Cooper-
18 ative agreements entered into under this section
19 shall be eligible for loan funds.

20 (4) USE OF LOAN FUNDS.—The proceeds of a
21 loan under the program—

22 (A) may be used to pay—

23 (i) the cost of purchasing and plant-
24 ing tree seedlings; and

1 (ii) other costs, including consultant
2 and contractor fees, associated with plan-
3 ning, site preparation, tree planting, forest
4 management, and other forest manage-
5 ment actions; and

6 (B) may not be used to—

7 (i) pay the owner for the owner's own
8 labor; or

9 (ii) purchase capital items or expend-
10 able items, such as vehicles, tools, and
11 other equipment.

12 (5) LOAN AMOUNT.—The amount of a loan
13 made from a revolving loan fund shall not exceed—

14 (A) 100 percent of total project costs,
15 whether they constitute the only funding source
16 or are used in combination with any other
17 funds received from any other source; or

18 (B) \$100,000 during any 2-year period.

19 (6) LOAN TERMS.—A loan agreement under the
20 program shall—

21 (A) require that all loan obligations be re-
22 paid to the State with interest at a rate of at
23 least 5 percent per annum—

24 (i) at the time of harvest of land cov-
25 ered by the program; or

1 (ii) in accordance with any other re-
2 payment schedule determined by the State;

3 (B) include provisions that provide for pri-
4 vate insurance or that otherwise release the
5 owner from the financial obligation for any por-
6 tion of the timber, forest products, or other bio-
7 mass that—

8 (i) is lost to insects, disease, fire,
9 storm, flood, or other natural destruction
10 through no fault of the owner; or

11 (ii) cannot be harvested because of re-
12 strictions on tree harvesting imposed by
13 the Federal, State, or local government
14 after the date of the agreement;

15 (C) impose a lien on all timber, forest
16 products, and biomass grown on land covered
17 by the loan, with an assurance that the terms
18 of the lien shall transfer with the land on sale,
19 lease, or transfer of the land;

20 (D) include a buyout option that—

21 (i) specifies financial terms allowing
22 the owner to terminate the agreement be-
23 fore harvesting timber from the stand es-
24 tablished with loan funds; and

25 (ii) repays the loan with interest;

1 (E) recognize that, until the loan is paid in
2 full by the participating landowner or otherwise
3 terminated in accordance with this Act, all re-
4 ductions in atmospheric greenhouse gases
5 achieved by the project funded by the loan are
6 attributable to the non-Federal entities that
7 provide funding for a loan (including the State
8 or any other person, company, or nongovern-
9 mental organization that provides funding to
10 the State for purposes of issuing the loan); and

11 (F) include provisions for the monitoring
12 and verification of carbon storage.

13 (7) CANCELLATION OF LOAN TERMS FOR PER-
14 MANENT CONSERVATION.—

15 (A) IN GENERAL.—The State shall cancel
16 the loan agreement under paragraph (6) and
17 any liens on the timber, forest products, and
18 biomass under paragraph (6)(C) if the borrower
19 donates to the State or another appropriate en-
20 tity a permanent conservation easement that—

21 (i) furthers the purposes of this Act,
22 including managing the land in a manner
23 that maximizes the forest carbon reservoir
24 of the land; and

1 (ii) permanently protects the covered
2 private forest land and resources at a level
3 above what is required under applicable
4 Federal, State, and local law.

5 (B) CONTINUATION OF FOREST MANAGE-
6 MENT ACTIONS.—The conservation easement
7 may allow the continuation of forest manage-
8 ment actions that increase carbon storage on
9 the land and forest or otherwise further the
10 purposes of this Act.

11 (C) TAX TREATMENT.—Only the value of
12 the conservation easement in excess of the
13 amount owed under the repayment terms of a
14 land agreement shall be tax deductible to the
15 extent allowed under applicable Federal, State,
16 or local law.

17 (8) REINVESTMENT OF FUNDS.—All funds col-
18 lected under a loan issued under this Act (including
19 loan repayments, loan buyouts, and any interest pay-
20 ments) shall be reinvested by the State in the pro-
21 gram and used by the State to make additional
22 loans under the program in accordance with this
23 subsection.

24 (9) RECORDS.—The State Forester shall—

1 (A) maintain all records related to any
2 loan agreement funded from a revolving loan
3 fund; and

4 (B) make the records available to the pub-
5 lic.

6 (10) ALLOCATION OF FUNDS.—

7 (A) IN GENERAL.—The Secretary shall al-
8 locate funds available for loans to a State after
9 determining that the State has implemented a
10 system to administer the loans in accordance
11 with this Act.

12 (B) MATCHING FUNDS.—

13 (i) IN GENERAL.—Effective beginning
14 in the second year of the participation of
15 a State in the program under this section,
16 to be eligible to participate in the program,
17 the participating State shall provide
18 matching funds equal to at least 25 per-
19 cent of the Federal funds made available
20 to the State for the program.

21 (ii) FORM.—The State may provide
22 the matching funds in the form of in-kind
23 administrative services, technical assist-
24 ance, and procedures to ensure account-
25 ability for the use of Federal funds.

1 (C) FORMULA.—

2 (i) IN GENERAL.—Not later than 180
3 days after the date of enactment of this
4 Act, in consultation with State Foresters,
5 the Secretary shall—

6 (I) establish a formula under
7 which, subject to clause (ii), Federal
8 funds shall be distributed under this
9 section among eligible States; and

10 (II) report the formula and
11 methodology to Congress.

12 (ii) BASIS.—The formula shall—

13 (I) be based on maximizing the
14 potential for meeting the objectives of
15 this Act;

16 (II) give appropriate consider-
17 ation to—

18 (aa) the acreage of
19 unstocked or underproducing pri-
20 vate forest land in each State
21 within national forest watersheds;

22 (bb) the potential produc-
23 tivity of such land;

24 (cc) the potential long-term
25 carbon storage of such land;

1 (dd) the potential to achieve
2 other environmental benefits,
3 such as restoration of native for-
4 est communities in riparian
5 areas;

6 (ee) the number of owners
7 eligible for loans under this sec-
8 tion in each State; and

9 (ff) the need for reforest-
10 ation, timber stand improvement,
11 or other forestry investments
12 consistent with the objectives of
13 this Act; and

14 (III) give priority to States that
15 have experienced or are expected to
16 experience significant declines in em-
17 ployment levels in the forestry indus-
18 tries due to declining timber harvests
19 on Federal land.

20 (11) PRIVATE FUNDING.—A revolving loan fund
21 may accept and distribute as loans any funds pro-
22 vided by nongovernmental organizations, businesses,
23 or persons in support of the purposes of this Act.

24 (12) BONNEVILLE POWER ADMINISTRATION.—

1 (A) IN GENERAL.—The States of Wash-
2 ington, Oregon, Idaho, and Montana may apply
3 for funding from the Bonneville Power Admin-
4 istration for purposes of funding loans that
5 meet both the objectives of this Act and the fish
6 and wildlife objectives of the Bonneville Power
7 Administration under the Pacific Northwest
8 Electric Power and Conservation Act (16
9 U.S.C. 839 et seq.).

10 (B) APPLICATION OF REQUIREMENTS
11 UNDER OTHER LAW.—An application under
12 subparagraph (A) shall be subject to all rules
13 and procedures established by the Pacific
14 Northwest Electric Power and Conservation
15 Planning Council and the Bonneville Power Ad-
16 ministration under the Pacific Northwest Elec-
17 tric Power and Conservation Act (16 U.S.C.
18 839 et seq.).

19 (13) AUTHORIZATION OF APPROPRIATIONS.—
20 There is authorized to be appropriated to carry out
21 the revolving loan program under this section for
22 each of fiscal years 2001 through 2010, respectively,
23 an amount equal to the amount of civil penalties col-
24 lected under section 113 of the Clean Air Act (42
25 U.S.C. 7413) and under section 309(d) of the Fed-

1 eral Water Pollution Control Act (33 U.S.C.
2 1319(d)) in the second preceding fiscal year.

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