



Hardwood Federation April 2022 Newsletter

From the Executive Director:

Springtime in Washington has ushered in two major policy developments impacting timber harvests: issuance of an [Executive Order](#) signed on April 22 aimed at protecting “mature” trees and “old growth” forests from wildfires; and a regulatory [proposal](#) from the U.S. Fish and Wildlife Service to re-designate the Northern Long-Eared Bat from “threatened” to “endangered” under federal environmental statutes.

To kick off Earth Day on April 22, President Biden signed an Executive Order to “Strengthen America’s Forests, Boost Wildfire Resilience and Combat Global Deforestation.” The Order frames fighting and preventing wildfires as a solution to climate concerns around carbon and other greenhouse gas emissions with a focus on protection of “mature forests” on federal land as a means of preventing wildfires. Although the President’s order memorializes public policy goals that are generally consistent with best forest management practices, including support for the forest products industry, as always, the devil is in the details. The Hardwood Federation has reviewed the E.O. with our forestry and landowner partners and many agree with our concerns about how the process will eventually define “mature” and “old growth” trees and forests, the impacts of new or more stringent definitions will have on federal harvest and thinning programs, potential impacts on private landowners, and what impacts implementing the E.O. will have on currently funded programs to fight fires. The first step is to ensure that the Hardwood Federation has a seat at the table for discussions around new definitions and what they will mean for timber harvest programs on federal lands.

Implementing the President’s order will not happen overnight. The order outlines a detailed regulatory process that would take at least two years to implement. This includes completion of an “old growth” forest inventory that would address “regional and ecological variation” by April 2023. After completion of the inventory, two federal agencies, the USDA’s Forest Service and Department of Interior (DOI) would jointly develop regulatory definitions and “analyze threats facing forests.” Following the agency analysis, federal regulators would then propose new policies that could guide implementation of new standards, all of which would be subject to public

comment. If, in fact, the Administration moved to the stages of final review prior to promulgation of new standards, federal officials would want to craft those in a manner that would allow them to survive a legal challenge, requiring input from government lawyers. This is rarely a quick process.

On March 23, the U.S. Fish and Wildlife Service published a proposed rule to re-designate the Northern Long-Eared Bat as “endangered” under the “Endangered Species Act” (ESA). This could trigger additional land-use restrictions within certain habitats, hindering some timber harvesting operations. Many will recall that several years ago the Federation was a leader in pushing back on efforts to list the bat as endangered, successfully advocating for a threatened designation. The fact that the bat population has continued to decline and that White Nose Syndrome continues to run rampant through multiple bat species makes a continuation of the threatened designation doubtful.

Fortunately, the agency’s preamble acknowledges the positive benefits of current forestry practices for maintenance of the bat’s habitat. These benefits, however, are not as extensive as those acknowledged within the context of the “threatened” designation, which the agency proposes to upgrade. The Federation will work with forest industry allies to develop comments and deploy other tactics to safeguard industry practices within the new rules. To learn more about the agency’s action, please click [here](#). Stay tuned for updates from your HF team as industry navigates developments related to the latest regulatory actions impacting the industry.

Issues:

Congress, Administration Take Aim at Russian Imports, May Impact Russian Birch

On April 15, President Biden enacted the bipartisan “Suspending Normal Trade Relations with Russia and Belarus Act,” a law that revokes Russia’s “most favored nation” trade status and triggers higher tariffs on imports. According to reports from the Decorative Hardwood Association, the imposition of a higher “harmonized tariff schedule” on Russian birch could result in price increases up to 40 or 50 percent.

Meanwhile, on Capitol Hill, Rep. Bruce Westerman (R-AR) has recently introduced the “No Timber from Tyrants Act” (H.R. 7437). The bill would add another layer of restrictions on imports from Russia and Belarus, which would pose additional challenges to domestic manufacturers that use Russian birch. The bill also directs the U.S. Forest Service and Department of the Interior to harvest more timber on our federal lands to compensate for the banned imports.

The Federation has long supported increased harvesting on our national forests (at least increasing to meet USFS stated harvesting goals) but recognizes that this would not necessarily be an

immediate fix for users of Russian birch. HF will keep the membership posted on other trade restrictions as they arise.

Administration Responds to Climbing Energy Costs

On April 15, the Biden Administration announced that it would move forward with the sale of oil and gas leases on approximately 144,000 acres of public land. Although the Administration claims the decision to offer new leases results from a federal court decision nixing its January 2021 moratorium on new development, the timing of the announcement coincides with mounting concern over rising energy prices. Even though the parcels are a fraction the size of those proposed by the Trump Administration, the Department of Interior aims to maximize their potential impacts on domestic supply by focusing on acreage with existing energy infrastructure. For more details on the new oil and gas leases, please click on the following [announcement](#).

Build Back Better 2.0

Although the \$1.7 trillion “Build Back Better” bill collapsed in late 2021, Congress’ spring break appears to have added some momentum to discussions on a modified proposal that focuses on climate provisions. Once again, Senator Joe Manchin (D-WV) finds himself at the center of discussions and is on the record for supporting forestry and renewable energy tax credits that were part of the original bill. Negotiations will focus on the scope of clean energy tax credits ranging from renewable energy to nuclear production. One piece that appears to be a lock to be included is a robust tax credit for wood and pellet stoves. The provisions that were in the original BBB would provide a 30 percent investment tax credit based on fully installed costs. If enacted, this would certainly be a market mover for the bagged pellet market which relies on our sawmill residuals.

That said, Sen. Manchin also supports an “all of the above” energy strategy, which will bring fossil fuels into the mix. Given the backlash the Administration faced when it lifted its moratorium on oil and gas leasing on public lands on April 15, this could prove problematic for the Democratic caucus, even as energy prices continue to climb in the wake of the conflict in Ukraine. Another complicating factor will be identification of “pay-fors” to offset costs for a package. A debate on the appropriate rate for corporate taxes as a means to subsidize the tax credits further complicates a path forward for a scaled down “Build Back Better” bill.

FY 2023 Appropriations Update, Wood Innovation Grants

On April 27, the House Appropriations Subcommittee on Interior, Environment and Related Agencies received testimony from U.S. Forest Service Chief Randy Moore. Chief Moore focused on his department’s budget request for more funding to combat wildfires, including resources to

increase salaries for firefighters. He also underscored the important role of forests and “harvested wood products,” which “offset almost 15% of the nation’s total carbon emissions.”

Underscoring positive messages related to use of finished wood products, on April 20, the Hardwood Federation joined the American Wood Council and 12 other forest product groups in a letter to congressional appropriators urging them to allocate \$20 million for Wood Innovation Grants (WIG) offered by the U.S. Forest Service within the context of the Fiscal Year (FY) 2023 budget. The coalition advocates for a variety of policy goals through the promotion of innovation projects, such as mass timber. These include the carbon storage benefits of timber construction as well as development of high skill manufacturing jobs in underserved and rural communities. The Federation will keep you posted on the FY 2023 appropriations process, which will move forward during the course of the next several months, especially as it relates to supporting federal programs that increase market demand for wood products.

China Extends Hardwood Tariff Exclusions Thru November 30

Hardwood exporters received good news before the Easter weekend when the Chinese government announced that it would continue to exclude U.S. hardwoods from punitive tariffs for an additional six-month period, through November 30, 2022. The American Hardwood Export Council received initial confirmation of the extensions late Friday, April 15. The latest extension effectively means that business will carry on as usual with no Chinese tariffs on U.S. hardwood lumber and log exports for the next six months. In May 2019, China initiated the tariffs in response to the Trump Administration’s sanctions against Chinese imports.

Ocean Shipping Reform Cruising Through Congress

On April 20, the Federation joined a coalition of more than 80 industry groups in letters to House and Senate leaders urging quick and final passage of the “Ocean Shipping Reform Act” (S. 3580/H.R. 4996), a bill to remedy transportation bottlenecks that hinder exports. The coalition notes that the bills have passed both chambers with large, bipartisan majorities, laying the groundwork for a conference committee to convene and negotiate a final package. Although industry supports both bills, the hardwood sector and its partners urged lawmakers to favor some of the more robust provisions outlined in the House version, including an outright prohibition on foreign carriers’ ability to decline shipments for export. As the congressional calendar moves closer to election season, lawmakers will be focusing more on “low hanging fruit” that can move quickly through both chambers. HF will keep you posted on next and final steps related to the industry-supported transportation bill.

Workforce Development Update

On April 5, the House Education and Labor Committee advanced the “Workforce Innovation and Opportunity (WIOA) Act of 2022,” which reauthorizes the federal workforce development system. Among other things the bill includes the following provisions:

- Full funding for WIOA programs by authorizing \$74 billion over six years, which will allow the workforce system to serve one million workers per year by 2028.
- Establishes a permanent Department of Labor program to help individuals released from incarceration transition back to employment and access sustainable career pathways.
- Expands summer and year-round jobs programs for youth.
- Strengthens the quality of the Jobs Corps program.
- Codifies partnerships between employers and community colleges to provide high-quality job training.
- Strengthens industry and sector partnerships to better meet the needs of both employers and job seekers.
- Provides funding for innovative approaches to workforce development.

The bill passed out of committee without a single Republican vote. Republican opposition stems from a perception that the bill was pulled together largely without their input and that its many provisions represent a federal government overreach into employer workforce decisions. The full House is expected to consider the legislation later this spring.

House Sign-On Letter to Promote Career and Technical Education (CTE), Workforce Development

As the Fiscal Year (FY) 2023 appropriations process begins, House CTE Caucus chairmen Reps. Jim Langevin (D-RI) and Glenn "GT" Thompson (R-PA) are leading a [“Dear Colleague” letter](#) to be sent to the Chair and Ranking Member of the Labor, Health and Human Services, and Education Subcommittee of the House Appropriations Committee requesting robust funding for the Carl D. Perkins Career and Technical Education Act (Perkins) in the FY 2023 Labor, Health, and Human Services appropriations bill. Committee members view these “Dear Colleague” letters as a critical part of the process because they show the breadth of support a specific program. Representatives Langevin and Thompson have begun circulating their letter and are seeking additional House members to sign on.

The Hardwood Industry Around the Hill

With Congress returning from a two-week work period in the states, the HF team has been fanning out on Capitol Hill to meet with key lawmakers to keep them focused on issues impacting the industry. On Wednesday, HF met with Rep. GT Thompson (R-PA), the office of Sen. Minority Leader Mitch McConnell (R-KY) and minority staff with the Senate Finance Committee on tax issues and provisions in the upcoming farm bill impacting the industry, among other topics. On Tuesday,

HF met with minority staff from the House Ways and Means Committee to outline incentives to grow market demand for hardwood products in light of their carbon capture capabilities.

HAPPENING IN THE HARDWOOD WORLD

The National Council for Air and Stream Improvement (NCASI) has created a “Climate Change Glossary” to assist the forest products industry that includes approximately 100 definitions for frequently used terms used to describe climate change. While the definitions posted on the website tend to be general, several definitions include links to more technical sources to add depth to the terms listed. NCASI plans to update the glossary on a regular basis. To view a copy of the climate change glossary, please click [here](#).