



HARDWOOD

FEDERATION

May 2021 Newsletter

From the Executive Director: Hearings on Forests and Climate Highlight the Need for Action and Market Opportunities

The Biden Administration remains laser focused on reducing atmospheric carbon through a variety of regulatory and market-based initiatives, including use of agriculture and forest lands. Capitol Hill and Administration hearings and meetings are popping up every week, and coalitions are being formed to coordinate engagement and responses to questions. The Hardwood Federation is working hard to stay ahead of the curve on how we, as an industry, can play a role in these efforts. We all know that the lumber that comes from trees is the ultimate green building material; hardwood products are by weight 50% stored carbon and can last for decades; young trees that grow to replace those that have been harvested absorb carbon faster than older trees. While many, including the press, are focused on the role selling forest-based carbon credits can play to reduce carbon, the Federation is staying on message and reminding decision makers that strong markets for our carbon sequestering products not only help with carbon reduction goals, they also help promote healthy and resilient forests...and encourage maintenance of the working forest system.

The month of May provided numerous opportunities for HF and our forest products allies to communicate this message, including two important hearings in the Senate, both on May 20th – each with panels emphasizing that our U.S. forests, both public and private when managed well, have a large role to play in reducing atmospheric carbon.

The first hearing was the full Senate Agriculture Committee titled “Federal, State, and Private Forestlands: Opportunities for Addressing Climate Change” – a session that was mostly focused on the need for better forest management and reforestation. The committee is led by Chairwoman Debbie Stabenow (D-MI) and Ranking Member John Boozman (R-AR), both of whose offices we have regular contact with. Sen. Stabenow opened the hearing by mentioning, the Rural Forest Markets Act, one of her priority bills to support landowners interested in entering carbon markets. The Federation is working with her staff and is close to getting stronger language included to address raw material needs of local wood mills and businesses.

Senator Boozman followed with an opening statement focused on the environmental benefits of trees, wood products and, indeed, the entire supply chain. He was quoted saying “The good news is, we have an abundance of the world’s greatest carbon sequestration machines – trees,” and he later called the lifecycle of planting trees, managing forests, harvesting timber and

delivering this commodity to a vibrant wood products industry a “win-win for everyone.” Managing forests “minimizes damage from pests, disease and catastrophic wildfires; supports a vibrant wood products industry and the rural communities which rely on it for their livelihood; and environmentally advantageous byproducts of cleaner air and water in addition to carbon sequestration.”

A top witness of this hearing was Arkansas State Forester Joe Fox, the current President of the National Association of State Foresters, who stated “Active forest management, supported by forest markets, combined with coordinated wildfire prevention, mitigation, and suppression efforts can substantially mitigate the effects of climate change... Without active management, forests are less resilient to climate change and less effective at sequestering carbon.”

The Senate Energy and Natural Resources Committee’s hearing, “Forest Management, Forest Products, and Carbon,” set out to examine the role of reforestation, active forest management, and carbon storage in fostering resiliency. This committee is led by Chair Joe Manchin (R-WV) and Ranking Member John Barrasso (R-WY), two longtime HF allies. A lot of attention in this hearing was paid to the inclusion of forests and wildfires with respect to carbon and the need for overall better active management, especially by the Forest Service.

The star witness, and a favorite of the attending committee members, was Ben Wudtke, the Executive Director of the Intermountain Forest Association. He was quoted as saying the National Forests are “not meeting their full potential to sequester and store carbon” Forest management, must be “both proactive and reactive”, including thinning and reducing fuel loads, and helping forest recover following disturbances. He noted that while funding for hazardous fuels reduction has increased, the “Forest Service is only able to treat a fraction of the acres needed” to reduce fire risks. And later “I think it’s clear today that what we’ve been doing for the last couple of decades isn’t working; the lack of forest management, the lack of reducing fuels and insect risk on the landscape is not helping us now... To the extent that we’re concerned about atmospheric carbon inputs and the role that forests can play, I don’t think that anyone would call what’s happened in our National Forests a success.” This information seemed to resonate.

Issues

Tax – Studies Abound as Fears Over Tax Increases Rise

The “American Families Plan” released by the Biden administration in April has continued to create a lot of bipartisan unease in relation to ongoing efforts to expand the estate tax, repeal stepped-up basis, increase the capital gains tax rate, and change the rules governing assets transferred via trust. HF is a member of several coalitions looking at these tax issues including the Family Business Estate Tax Coalition (FBETC). The FBETC has been quite busy creating coalition letters to the Hill, as well as commissioning Ernst & Young to conduct an [EY study](#). In essence the study found that by raising the tax burden on investment, the repeal of stepped-up basis via tax at death increases the cost of capital, which discourages investment and results in less capital formation. With less capital available per worker, labor productivity falls and with it the wages of workers and, ultimately, GDP and Americans’ standard of living. A recent EY report forecasts that 80,000 jobs would be lost in each of the first 10 years and GDP would decrease by \$100 billion over 10 years if stepped-up basis were repealed by imposing a tax on unrealized gains at death. Additionally, for every \$100 of revenue raised by repeal via taxing capital gains at death, \$32 would come out of the paychecks of workers.

Additionally, The National Association of Manufacturers (NAM) released a major update to a tax reform study released in April that shows that increasing the corporate tax rate to 25% - President Biden has floated a raise to as much as 28%, increasing the top marginal tax rate, repealing the 20% pass-through deduction, eliminating certain expensing provisions and more would shrink the U.S. economy and cost an estimated 1 million jobs in the first two years – plus an additional 500,000 jobs a year over the next decade (on average).

USDA Response Letter – USDA Sec. Vilsack Send Response to HF on Policy Recommendations

In early March the Hardwood Federation sent a letter to newly confirmed U.S. Secretary of Agriculture Tom Vilsack congratulating him on his position and outlining a list of recommendations that the Biden-Harris Administration should pursue to aid the hardwood industry. HF recently received a [response from Secretary Vilsack](#) with his appreciation for our outreach and, specifically, noting the ways that our forests and forest management are vital both economically and with regard to our changing climate. We look forward to working with Secretary Vilsack and the rest of the USDA as we strive to find pathways forward on many of our most critical issues.

30x30 – Ambitious and Challenged Proposal Rebranded by the White House

HF has been reporting on the proposed “30x30” regulations from the Biden Administration since they were announced in late January. Thirty by Thirty (more often shortened to 30x30) is the loose set of platform guidelines from a Biden Administration Executive Order setting a goal of protecting 30 percent of all US lands and waters by 2030. The lack of details and overall nebulous nature of the proposal has elicited pushback from both industry and elected officials. As House Natural Resources Committee Ranking Member Rep. Bruce Westerman (R-AR, 4) said at a panel discussion in early May “At this point the administration has failed to develop its policy beyond a catchy tagline. They have not defined a baseline of current conservation practices, established metrics for measuring progress, or even provided a clear understanding of how they define the word 'conservation.'”

To try and cut through some of the confusion the White House tasked the Department of the Interior with proposing further guidelines. This “preliminary report” was released by the White House on May 6th and titled the “America the Beautiful Campaign”. In essence this report rebrands 30x30 and declares it a “Presidential ten-year conservation challenge”.

Boiled down the report recommends two major actions:

- The creation of an American Conservation and Stewardship Atlas that “collects baseline information on the amount and types of lands and waters that are being managed for conservation and restoration purposes
- the publication of annual America the Beautiful updates on the health of nature in America and on the Federal Government’s efforts to support locally led conservation and restoration efforts.

It also suggests this will be a locally led nationwide effort across public, private, and Tribal lands and waters to restore and conserve America’s lands, waters, and wildlife buoyed by federal support. “America the Beautiful” is to be considered “a starting point for additional public input and conversations to inform the nation’s progress toward the President’s goal for conservation over the next decade” and calls on Federal agencies to “establish formal and informal venues by which Tribes, States, territories, stakeholders, and the American public can shape and advance these efforts.”

USDA Grants – USDA Announces Almost \$40 million in Grant Awards for Wood

On May 7th the U.S. Department of Agriculture (USDA) [announced](#) the awarding of over \$15 million in funding for grant proposals to “develop and expand the use of wood products, strengthen emerging wood energy markets and protect community forests.” In total the funding will support 60 projects and USDA Forest Service awards will leverage an additional \$30 million in matching and partner funds. USDA Sec. Tom Vilsack was quoted as saying “To manage wildfire and address climate, we need to manage our forests. Today’s investments underpin USDA’s commitment to address the climate crisis with a market-based approach that begins to move us toward a clean energy economy, led by production of renewable fuel and energy and biobased products grown and manufactured here in the U.S. The American Jobs Plan and USDA’s budget request for 2022 make sure the Forest Service can prioritize forest management and restoration.”

New Appointee at USDA – Longtime Office of Natural Resources and Environment Veteran Returns

On May 19, the U.S. Department of Agriculture announced the appointment of Meryl Harrell as Deputy Under Secretary for Natural Resources and Environment (NRE), a key position that oversees operations of the U.S. Forest Service. Harrell most recently served as the Executive Director of the Southern Appalachian Wilderness Stewards. During the Obama-Biden Administration, Harrell spent eight years in the Office of Natural Resources and Environment at USDA, including serving as Chief of Staff and then Senior Advisor to the Under Secretary. Harrell previously worked on public lands issues at The Wilderness Society in Washington, D.C. The Hardwood Federation team looks forward to reengaging with Deputy Under Secretary Harrell in her new role.

Happening in the Hardwood World

New FRA Carbon Sequestration Map and Fact Sheets

Our good friends at the Forest Resources Association have put together a very helpful [interactive map](#) with fact sheets showing the role of forests related to the sequestration of carbon.

Wood...IN SPACE

The world’s first wooden satellite is scheduled to be put into orbit by the end of this year. While wood may not be the first material you think of when it comes to Star Wars and Star Trek, a project called the WISA WOODSAT is looking to send a small satellite made of plywood into space. For more details [click here](#).

Charlottesville Mass Timber Tallest on East Coast

Your intrepid Editor’s hometown of Charlottesville, VA has become the Mass Timber capital of the East Coast with the erection of Apex Plaza, an office building in the gorgeous and historic downtown area. This project is the first large-scale mass timber in Virginia and is scheduled to be completed in December. To read more please [click here](#). And Go Hoos!