



# HARDWOOD

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# FEDERATION

## **From the Executive Director:**

On September 13, both chambers of Congress will be in Washington for a compressed legislative session (with the House convening one week earlier) to tackle Fiscal Year (FY) 2023 spending bills that will fund the federal government beyond September 30, the expiration date of the current fiscal year. Because this is election season, it's not likely that Congress will take up any other major legislation during this timeframe. That said, with past as prologue, it's also very unlikely that the Congress will even pass a final budget for FY 2023 and will fund federal operations through a stop-gap measure known as a "Continuing Resolution" (CR). Under a CR, federal agencies will continue to operate under funding levels and other policy parameters outlined in the FY 2022 budget.

As reported in more detail earlier, the House has made some progress prior to the August recess and passed budgets for key agencies impacting the hardwood sector. On July 20, the House passed H.R. 8294 - a six-bill package to fund USDA, Interior, Transportation, and EPA - agencies which oversee key programs such as export promotion, biomass, and a forest inventory. As usual, the Senate has lagged behind the House and is still working to finalize its 12 separate spending bills before the September 30 deadline. Lawmakers' tight schedule in the fall makes it highly unlikely that Congress will come to an agreement on final numbers during the weeks ahead.

Beginning Tuesday, September 13, both chambers plan to convene through Friday, September 30, allocating 11 legislative days when both chambers will be in session. After that, the House may convene briefly from October 28 through the 30th, then be out through November 14, or a week after the mid-term elections. Both chambers may be in session for 25 legislative days during the "lame duck" session. The Senate is expected to convene from October 11 through the 21st and may be able to address budget matters pushed beyond the September 30 deadline in the form of a CR that will likely extend well into November.

## **Issues:**

## **Forest Products Sector Opposes Universal Definition of “Old Growth”**

Although Congress has left Washington for its traditional August recess, bringing a temporary pause to the legislative process, that doesn't mean that federal agencies have slowed the pace of moving forward with their regulatory agenda. On July 15, 2022, the U.S. Departments of Agriculture and the Interior jointly published a [Federal Register notice](#) seeking public comment and input on the development of a “universal definition framework” for old-growth and mature forests on federal land, setting the stage for a federal inventory for old growth and possible new restrictions on sustainable harvesting practices. This exercise followed up on President Biden's order released on April 22, when he issued [E.O. 14072, “Strengthening the Nation's Forests, Communities and Local Economies”](#). The E.O. requires the U.S. Forest Service to, among other things, define old-growth and mature forests on federal lands.

On August 30, the Hardwood Federation submitted [comments](#) on the proposal, outlining key arguments opposing the agencies' moving forward with a uniform definition, ultimately delivering a framework that would be unworkable. After establishing that a “one size fits all” approach to a definition was incompatible with resources as biologically and geographically diverse as forests, the Federation raised concerns that the agencies' action could undermine the Administration's major environmental and resources policy goals. This includes promotion of captured carbon and reduction of wildfires. Furthermore, a uniform definition would also create uncertainty for federal agencies and the regulated community. This could include litigation, creating a tool that some stakeholders might use to advance policies that ultimately setback sustainable forest management by imposing a blanket ban on the harvest of all old growth and mature timber.

Most forest products groups, including the American Forest & Paper Association, and the American Wood Council, among others, raised similar concerns about the mismatch between forest diversity and attempts to establish a “uniform definition” that would apply nationwide. At this time, the Federation and its industry allies are not certain where the agencies will ultimately land on this issue. That said, it has been made clear that the agencies' moving forward with a “universal framework” would contradict the Administration's well-established policy objectives to reduce wildfire risk while promoting carbon capture, which could dissuade them from moving forward with the process.

If the regulatory process delivers results contrary to industry comments, there could be legislative and legal remedies to push back on the effort. The Federation will keep you posted on next steps related to the fight to oppose imposition of a one-size-fits-all framework for old growth forests.

## **More Details Emerge from “Inflation Reduction Act”**

On August 16, President Biden signed the “Inflation Reduction Act” into law, initiating programs of interest to the hardwood industry and bringing an end to the year-long struggle to pass portions of the Administration's “Build Back Better” (BBB) agenda. The quick progress took top Democrats and much of the rest of Congress by surprise, especially given the number of times

similar proposals had stalled and failed. In July, Sen. Joe Manchin (D-WV), who has controlled whether Democrats could use “budget reconciliation” to bypass a filibuster of BBB, derailed a slimmed-down package focusing on health care issues because of its possible impacts on inflation.

That said, senate Democrats released a [framework](#) on July 27 which included more than \$700 billion on energy, climate and other domestic spending. Within days, lawmakers had released legislative text, rebranding their efforts as the “Inflation Reduction Act.” See the below highlights from the new law, including dollar amounts authorized for specific grant programs and other federal initiatives that will impact markets for hardwood products:

- \$2.15 billion to acquire and install low-embodied carbon materials and products for use in the construction or alteration of buildings under the jurisdiction of the General Services Administration.
- \$1.8 billion for hazardous fuel reduction projects on federal forest lands.
- \$100 million for the Wood Innovation Grant program over the next 10 fiscal years.
- \$100 million for EPA, the Federal Highway Administration and General Services Administration to identify and label low-embodied carbon construction materials and products based on environmental product declarations and other criteria.
- \$2,000 per unit tax credit for consumer purchases of wood and pellet stoves, the latter of which operate on fuel derived from sawmill residuals. This credit is extended for 10 years.

### **IRS Offers Flexibility for Pandemic-Related “Failure to File” Cases**

On August 24, the IRS issued a [notice](#) to provide flexibility for certain individual and business taxpayers affected by the COVID pandemic from “failure-to-file” penalties with respect to tax returns for tax years 2019 and 2020 (which were due in 2020 and 2021) filed on or before September 30, 2022. The agency also stated that it expects to issue more than \$1.2 billion in refunds or credits to many of the nearly 1.6 million taxpayers who already paid these penalties, by the end of September.

The IRS states that it’s offering this flexibility to focus its resources on processing backlogged tax returns and taxpayer correspondence to help the agency return to normal operations for the 2023 filing season. The IRS is currently working to develop detailed FAQs to provide additional guidance and clarification around this penalty relief.

### **USFS Study Underscores Role of Wood Products in Carbon Storage**

On August 22, the U.S. Forest Service (USFS), Southern Research Station published an [article](#) featuring a related technical report emphasizing the importance of wood products and carbon sequestration. According to the article, wood is “critically important for our changing climate.” It further explains that “when trees are harvested for wood products like lumber, some of that carbon continues to be stored.” The USFS also underscores the importance of wood structures in any reasonable, nationwide accounting measure for stored carbon. According to the “abstract” associated with the USFS study, “harvested wood products”

used in buildings constitute an "important carbon sink, helping to mitigate climate change." The USFS further states that "houses store so much carbon that figuring out how many houses will be built in the future is important for understanding the total U.S. carbon storage capacity."

### **University of Georgia Researchers Tout Advantages of Biomass Power Generation**

A [study](#) published July 20 from the University of Georgia (UGA) shows that substituting coal for woody biomass in power generation could meet the demand for electricity in the entire state of Georgia. It further found that fuel switching to biomass would reduce greenhouse gas (GHG) emissions, over a fifty-year period. Specifically, the UGA study examines a scenario whereby the use of "pulpwood and logging residue ... proved to be the most carbon-efficient way to generate electricity in Georgia, capable of reducing carbon emissions from power plants by 43% while not requiring major facility upgrades." The absence of significant retrofit costs within a specific power plant would create a major incentive for power companies to invest in biomass as an energy source. The Federation will keep you posted on other research that bolsters market incentives to use biomass as a renewable energy.

### **Experts Dismiss "Net Zero" Cement as Concrete Pipe Dream**

In an [article](#) written for Forbes magazine on July 26, supply chain management and logistics expert Steve Banker claims that the cement industry's goal to reach "net zero" carbon emissions by 2050 is unrealistic. While the cement industry concedes that reaching net zero will require major "advances in technology, policy, and infrastructure," Banker cites the renowned scientist Vaclev Smil, who is skeptical of many of the projections and methodologies used to achieve those projections to reduce carbon emissions. Smil believes it will take developed countries several decades to wean from fossil fuels and therefore pave the way for manufacturing breakthroughs, such as "green cement," that dramatically reduce their carbon footprint. Smil goes on to dismiss creation of unrealistic models and other tools used to reach various industry-based carbon mitigation strategies as "techno optimism."