

February 16, 2024

**Submitted via CFTC portal: https://comments.cftc.gov**

Christopher Kirkpatrick

Secretary of the Commission

Commodity Futures Trading Commission

1155 21st Street, NW

Washington, DC 20581

**Re: *Commission Guidance Re: The Listing of Voluntary Carbon Credit Derivative Contracts – RIN 3038-AF40***

Dear Secretary Kirkpatrick:

Please review the following comments submitted by the Hardwood Federation on the Commodity Futures Trading Commission’s (CFTC) proposal to issue guidance regarding voluntary carbon credit (VCC) derivative contracts. By way of background, the Hardwood Federation is the unified voice of the hardwood industry on federal legislative and regulatory policy. Based in Washington, DC, the Federation represents 31 local, regional, and national trade associations that serve hardwood businesses and their employees located in every state in the nation.

The U.S. hardwood sector is a fully integrated industry from logging to the manufacture of finished consumer goods which touch every aspect of American life including flooring, cabinets, furniture and moldings in our homes. Packaging, tissue and paper supplies are made of residual chips and dust from hardwood mills. Hardwood processing and manufacturing entities rely primarily on domestic private and public working forestlands for the raw materials that go into their products. As a threshold matter, the hardwood industry supports federal policies that promote active forest management and strong domestic and international demand for hardwood products that capture carbon and promote sustainability. The industry rejects policies, including proposed guidance documents, that will lead to more restrictions on active forest management.

**Comments**

1. **CFTC guidance must recognize the amount of carbon stored in wood products.**

As a threshold matter, the hardwood sector believes that guidance issued by CFTC must reflect an accurate assessment of the role wood products play in the long-term storage of carbon. To that end, any guidance intended to promote best practices for voluntary carbon markets must assure that credits are based on high quality data derived from established forest science. The agency must also ensure that VCC’s structure their programs in a manner that will improve site-based forest health and productivity. To maximize tangible environmental benefits such as additionality - defined as a demonstration that a project results in a net reduction in atmospheric carbon - any new guidance must minimize negative impacts on the traditional forest products industry, a key pillar of any program intended to monetize the long-term storage of atmospheric carbon. Federal regulators can achieve these outcomes and promote programs that create additionality, a stated goal of the CFTC’s proposal, if they recognize the benefits of forest management.

1. **CFTC must recognize the carbon benefits of active forest management.**

The hardwood industry urges the CFTC to examine existing data related to active forest management within the context of the current and any future exercise related to voluntary carbon markets. On the climate front, actively managed forests are crucial to achieving the Administration’s sustainability and resilience objectives. To that end, it is important to recognize that the carbon benefits of the forests do not end with tree growth. Markets for products derived from trees are an important piece of the solution. Also, wood products are 50% carbon by weight, continuing to store carbon for the life of the product.[[1]](#footnote-2)  The Biden Administration and congressional leaders acknowledge that the American forest system is vital to reducing atmospheric carbon, offsetting 12-15 percent of U.S. carbon emissions each year.[[2]](#footnote-3) On the economic front, the forest products industry, which relies on domestically harvested wood fiber to manufacture goods that act as a significant carbon sink, supports approximately 900,000 jobs, largely in rural and underserved communities. In the event the CFTC moves forward with a document that discounts forest management, it could undermine the Administration’s key climate objectives.

1. **CFTC should avoid unintended consequences in the proposed guidance.**

As a general matter, the hardwood sector opposes creation of federal incentives that would accelerate the development of voluntary carbon markets, leading to the creation of an uneven playing field in the marketplace and possible proliferation of programs that undermine forest management. Although issuance of a guidance document, as proposed by the CFTC, does not carry the force of regulation that could create market distortions, federal regulators should be mindful of the unintended consequences that could arise from the agency’s initial foray into the rapidly evolving landscape of voluntary carbon markets. The wood products sector is in the process of reaching out to third-party verification entities such as the American Carbon Registry - as referenced in the proposal - that certify carbon credits and educate them about the necessity of taking a wholistic approach as a precondition to issuing high quality and environmentally impactful credits. In the event the CFTC issues an overly prescriptive guidance document, for example, efforts to educate these third-party verification entities on important data related to carbon stored in wood products could be stymied.

**Conclusion**

The Hardwood Federation appreciates the opportunity to submit these comments, as well as your careful consideration of them. In addition to the comments outlined above, the Hardwood Federation endorses comments submitted by the American Forest & Paper Association (AF&PA) and the Southeastern Lumber Manufacturing Association, especially as they relate to the role of active forest management in promoting forest health and the necessity of avoiding unintended consequences.

1. WoodWorks. Carbon Footprint. <https://www.woodworks.org/why-wood/carbon-footprint> [↑](#footnote-ref-2)
2. National Alliance of Forest Owners, Forests and Climate Change for Policy Makers 101. 2 National Alliance of Forest Owners, Forests and Climate Change for Policymakers 101. [Forests and Climate Change for Policymakers 101 | National Alliance of Forest Owners (nafoalliance.org)](https://nafoalliance.org/forests-and-climate-change-for-policymakers-101/). [↑](#footnote-ref-3)