



Submitted via comments submission portal at <http://www.cftc.gov/index.htm>  
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February 16, 2024

Mr. Christopher Kirkpatrick,  
Secretary of the Commission, Commodity Futures Trading Commission  
Three Lafayette Centre  
155 21st Street NW  
Washington, DC 20581

*Re: Commission Guidance Regarding the Listing of Voluntary Carbon Credit Derivative Contracts*

Dear Mr. Kirkpatrick,

The Southeastern Lumber Manufacturers Association (SLMA) appreciates the opportunity to comment on the Commodity Futures Trading Commission (the “Commission” or “CFTC”) issuance for public comment on proposed guidance regarding the listing for trading of voluntary carbon credit (“VCC”) derivative contracts. As proposed, we are concerned about this policy and subsequent policies that attempt to promote carbon storage through mandatory or voluntary carbon markets without ensuring such policies will not impact fiber supply for domestic wood products manufacturing. Additionally, we believe that federal subsidies for incentivizing carbon markets should be strongly discouraged and lack the ability that other carbon storage policies and initiatives may have for continued emissions reductions in the built environment.

### **About Southeastern Lumber Manufacturers Association**

The Southeastern Lumber Manufacturers Association membership spans from Texas to Maryland and includes sawmills, lumber treaters, and lumber remanufacturers. In total, SLMA serves 90 member companies across 130 locations and directly employs more than 13,000 people, along with the hundreds of thousands of secondary jobs from the wood products industry. Our member companies produce solid-sawn lumber from private, sustainably managed forests for a variety of residential and commercial applications. Our industry is at the forefront of good-paying jobs in rural markets, providing key economic opportunities, contributing significantly to our nation’s domestic manufacturing operations, all while creating products that have unique positive carbon attributes. As a leading voice for the wood products industry on Capitol Hill, SLMA engages Congress and the Administration on issues and priorities that impact forestry and forest products. The association has developed excellent bipartisan relationships with leadership and members of pertinent committees that impact our member companies and industry.



## **Private Forestry and Forest Products Already Provide ‘Right Now’ Carbon Solutions**

Forestry and forest products offer building components with a lower carbon footprint compared to competing building materials.<sup>1</sup> Government policy should recognize the environmental benefits provided by the American forest products industry. Because the forestry and forest products industry are inherently beneficial to reducing carbon in building materials<sup>2</sup>, industry stakeholders should not be required to participate in any carbon sequestration or forestry management programs. Participation in carbon storage programs for standing timber or in the built environment should be strictly voluntary.

The forest products industry provides markets for timber growers. Without strong timber markets, landowners will look for more profitable uses of their land, resulting in less forested land for wildlife habitat, air filtration, and water cleaning. Growing trees are the best stage of carbon capture and mature trees, when harvested, capture that carbon for the long term. Once harvested, the carbon cycle can begin again with new seedlings developing into a new crop of carbon capturing trees. Government policies should not distort this cycle by encouraging trees to be left untouched to release carbon as they decompose in the woods. Working forests need to stay working forests.

## **The Federal Government Should Not Subsidize Carbon Markets**

American forests and forest products are sustainably planted, grown, harvested, and processed. Requiring third party forestry certification systems will not increase sustainable management, but it will add cost to the tree growers and wood products manufacturers. Participating in third party certification programs should be voluntary for tree growers and manufacturers to supply the demands of their customers. Furthermore, the government should not mandate costly third-party forestry certification programs while trees continue being planted faster than they are harvested, and tree growers are adhering to their states’ best management practices. If forestry or forest products certifications are required for government procurement, all credible certification systems should be recognized equally.

With a myriad of questions still in place around the policy, the softwood 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 creation 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 that certify carbon credits and educate them about the necessity of taking a holistic 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.

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<sup>1</sup> Shaobo Liang, et al. (2020). Comparative Life-Cycle Assessment of a Mass Timber Building and Concrete Alternative. <https://www.fs.usda.gov/treesearch/pubs/60137>

<sup>2</sup> Gonzalez-Benecke et al. (2011). A flexible hybrid model of life cycle carbon balance for loblolly pine (*Pinus taeda* L.) management systems. *Forests*, 2(3), 749-776.



## **Public-Private Partnerships are Already in Place for Carbon Storage Initiatives**

Government policies should focus on increased tree planting by fully funding conservation programs, such as the Environmental Quality Incentives Program, Conservations Stewardship Program, and Conservation Reserve Program, reduced regulatory barriers for forest management, and preserving tax policies that support continued tree growth, including capital gains treatment of timber and the deductibility of reforestation and timber growing costs. Additionally, policies should also encourage increased utilization of wood building components by finding opportunities for innovative products like mass timber in government and military construction projects, through which the federal government is already leading alongside industry. Furthermore, the government should fully fund the US Forest Products Lab (FPL) and Wood Innovation Grants (WIG) to find more wood market opportunities and increase technology transfer of proven wood products, such as mass timber bridges, to educate engineers, architects, and state and local governments. These policies continue to be a vital asset to the industry as we work through public-private partnerships with the US Forest Service (USFS) and other federal agencies for increased carbon storage benefits through wood products promulgation in the built environment.

### **Conclusion**

Various carbon market mechanisms exist through third-party verification, and we remain concerned about the long-term viability of these schemes and markets to ensure a system that reduces carbon emissions without impacting much-needed markets for wood products. Not only does private forestry and the products derived from them produce scientifically proven environmental benefits, but it also promotes countless jobs in rural and urban areas. The policies laid forth in this proposal must not subsidize any industry or industries for their mandatory or voluntary participation in carbon markets. We look forward to further correspondence on this issue and appreciate the opportunity to comment.

Sincerely,

A handwritten signature in black ink, appearing to read "B Smalley", with a long, sweeping underline.

Bryan Smalley  
President  
Southeastern Lumber Manufacturers Association