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August 2, 2024

Daniel Werfel, Acting Commissioner
Department of Treasury, Internal Revenue Service
P.O. Box 604, Ben Franklin Station
Washington, DC 20044

RE: Notice of Proposed Rulemaking, Section 45Y Clean Electricity Production Credit and Section 48E Clean Electricity Investment Credit

Dear Commissioner Werfel:

The Hardwood Federation appreciates the opportunity to comment on proposed regulations relating to the clean electricity production credit and clean electricity investment credit created by the Inflation Reduction Act of 2022. By way of background, the Hardwood Federation is the unified voice on federal legislative and regulatory policy in Washington, DC representing 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, paper supplies and biomass as fuel are made of residual chips and dust from hardwood mills. Industrial mats, shipping pallets and railway ties made from low grade hardwood lumber are crucial to America's vast transportation infrastructure. Hardwood processing and manufacturing entities rely primarily on domestic private and public working forestlands for the raw materials that go into their products. Working forests produce the raw materials for environmentally friendly products that store atmospheric carbon for generations.

Background on Treasury's Request for Comments

In August 2022, Congress passed the Inflation Reduction Act and amended the Internal Revenue Code (tax code) to include new provisions that incentivize investments and production of renewable electricity under newly created Sections 45Y and 48E of the code. Whereas the tax code has traditionally provided a Section 45 tax credit for technology-specific types of renewables, including landfill gas (LFG), open-loop biomass, and municipal solid waste, for example, the IRA establishes technology-neutral eligibility under Sections 45Y and 48E. Unlike Section 45, the new provisions require that any technology system meets a "zero or negative" GHG emissions standard. That said, the proposal identifies certain technologies, including wind, solar, geothermal and nuclear as already meeting the "zero or negative" GHG emissions standard.

Sustainable Forest Management Mitigates Climate, Supports Biomass Neutrality

Federal officials should be mindful that effective climate policies, including proposed clean energy tax incentives, should promote active and sustainable forest management. The United States contains eight percent of the world's forests, and because of sustainable forest management practices, there are more trees now than there were 100 years ago. According to the United Nation's [Food and Agriculture Organization](#), "Forest growth nationally has exceeded harvest since the 1940s. By 1997, forest growth exceeded harvest by 42 percent and the volume of forest growth was 380 percent greater than it had been in 1920."¹

Wood from American forests is a key component of forest management and the larger carbon cycle. Trees absorb carbon dioxide through the process of photosynthesis to produce the building blocks of trees. The by-product of this process is an essential source of atmospheric oxygen. Trees store carbon through their growing lives, which is then further sequestered when the trees are utilized to make long-lasting products. Demand for American grown finished goods composed of wood promotes healthy forests, protects water resources, and supports wildlife diversity, while also producing safe and sustainable products that create economic and employment opportunities for rural and underserved communities throughout America. When there is a steady demand for fiber and the resulting wood products, soft and hardwood operations ensure that forests will remain as forests in the future and serve as a key tool with which to address climate change. Because conversion of forest land to commercial use constitutes a major risk to reduced forest cover, creating markets for forest products, including fuel wood, through active forest management increases the value of forestland and serves as a backstop to conversion.

It is estimated that total forest carbon storage in the U.S. (including wood products) is 58.7 billion tons.² Each year, forests and harvested forest products capture between 600 and 700 million tons of greenhouse gas equivalents, offsetting roughly 12% of U.S. annual greenhouse gas emissions.³ As mentioned above, markets for products derived from trees are an important piece of the solution. Wood products make up 47% of all industrial materials in the U.S. but consume only four percent of the total energy to manufacture those materials. In addition, wood products are 50% carbon by weight, continuing to store carbon for the life of the product.⁴ Also worth noting, the U.S. produces over 100 million cubic meters of sawn hardwood, sawn softwood, softwood log trade, wood-based panels, paper, paperboard and fuel wood.⁵ A cubic meter of wood contains about 1 ton of carbon dioxide.⁶ A typical 2,400 square foot home, for example, stores roughly 28 ½ tons of carbon dioxide.⁷

Existing Federal Policy Enshrines Carbon Neutrality of Biomass

Since 2017, Congress has acknowledged the carbon neutrality of biomass within the context of the annual appropriations process. On March 8, the President continued the precedent by signing the "Consolidated Appropriations Act, 2024" which classifies biomass as carbon neutral across federal agencies. These include the Department of Energy, the Department of Agriculture and the Environmental Protection Agency. Specifically, Sec. 431 of the statute provides that:

¹ *State of Forestry in the United States of America*. UN-FAO, June 2000. <https://www.fao.org/3/x4995e/x4995e.htm>

² *Integrating forests and wood products in climate change strategies*. UN-FAO Forestry Paper 177, 2016.

³ *EPA Inventory of US Greenhouse Gas Emissions and Sinks; Chapter 6*. EPA 430-R-20-002

⁴ WoodWorks. Carbon Footprint. <https://www.woodworks.org/why-wood/carbon-footprint>

⁵ USFS Research Note FPL-RN-0348 *US Forest Products Annual Market Review and Prospects, 2013-2017*, J. Howard, et al, July 2017

⁶ *Wood construction battles climate change through carbon storage*. New Release, Metsawood, 2015.

⁷ *Wood Products and Carbon Sequestration*. Sustainable Building Series #6. Canadian Wood Council @ www.cwc.ca

To support the key role that forests in the United States can play in addressing the energy needs of the United States, the Secretary of Energy, the Secretary of Agriculture, and the Administrator of the Environmental Protection Agency shall, consistent with their missions, jointly—

(1) ensure that Federal policy relating to forest bioenergy—

(A) is consistent across all Federal departments and agencies; and

(B) recognizes the full benefits of the use of forest biomass for energy, conservation, and responsible forest management; and

(2) establish clear and simple policies for the use of forest biomass as an energy solution, including policies that—

(A) reflect the carbon neutrality of forest bioenergy and recognize biomass as a renewable energy source, provided the use of forest biomass for energy production does not cause conversion of forests to non-forest use;

(B) encourage private investment throughout the forest biomass supply chain, including in— (i) working forests; (ii) harvesting operations; (iii) forest improvement operations; (iv) forest bioenergy production; (v) wood products manufacturing; or (vi) paper manufacturing;

(C) encourage forest management to improve forest health; and

(D) recognize State initiatives to produce and use forest biomass.⁸

Following a previous congressional directive, in 2018, EPA released a [policy statement](#) characterizing biomass as carbon neutral, in part, because:

- U.S. forests have been historically and are currently a net sink of carbon; in 2015, the forest sector offset approximately 11.2 percent of gross U.S. greenhouse gas emissions.
- Use of biomass for bioenergy can support the management of U.S. forests and can lead to increased carbon sequestration from U.S. forests over time.

Forest Products and Renewable Energy Systems

According to a study by the American Forest & Paper Association, on average, about two-thirds of the energy used at paper and wood products facilities, for example, is generated from carbon-neutral biomass.⁹ To cite an example of a popular product made from residuals, many hardwood facilities manufacture and use wood pellets and other residuals to reduce their carbon footprint. In recent years, the manufacture of wood pellets, specifically for the generation of energy, has increased substantially in response to policies that seek to lower demand for fossil fuels. According to the National Association of State Foresters (NASF), as of 2021, there were 87 wood pellet manufacturing facilities in the U.S. with more under construction. NASF further asserts that:

In February of 2018, facilities purchased about 1 million tons of feed stock. About 18% of the feedstock would be characterized as pulpwood or roundwood and the remaining represented some form of residual material, like sawdust from

⁸ [Consolidated Appropriations Act, 2024](#), see p. 270 (March 8, 2024).

⁹ 2020 AF&PA Sustainability Goals Achievements Summary, [2020 AF-PA-Sustainability-Report.pdf \(afandpa.org\)](#)

a sawmill. About 80% of the pellet production is exported.¹⁰

The expected growth in demand for wood pellets and other residuals as an energy source is yet another reason why regulators should classify biomass as carbon neutral.

Conclusion

As the Department of Treasury moves forward with establishment of clean energy tax incentives, the hardwood industry urges federal regulators to acknowledge the extensive carbon benefits provided by the wood product sector and affirm the eligibility of biomass under the new credits. Additionally, the Hardwood Federation endorses comments submitted by the American Forest & Paper Association and the American Wood Council.

Sincerely,



Dana Lee Cole, Executive Director
Hardwood Federation

Hardwood Federation Member Associations

Allegheny Hardwood Utilization Group	North Carolina Forestry Association, Inc.
American Hardwood Export Council	Northeastern Loggers Association
Appalachian Hardwood Manufacturers	Ohio Forestry Association
Appalachian Lumbermen's Club	Pacific Coast Wholesale Hardwood Distributors Assoc.
Decorative Hardwood Association	Penn-York Lumbermen's Club
Empire State Forest Products Association	Pennsylvania Forest Products Association
Hardwood Distributors Association	Railway Tie Association
Hardwood Manufacturers Association	Southern Cypress Manufacturers Association
Indiana Hardwood Lumbermen's Assoc.	Southwestern Hardwood Manufacturers Club
Kentucky Forest Industries Association	Tennessee Forestry Association
Lake States Lumber Association	Virginia Forest Products Association
Maple Flooring Manufacturers Association	West Virginia Forestry Association
Missouri Forest Products Association	Westside Hardwood Club
National Hardwood Lumber Association	Western Hardwood Association
National Wood Flooring Association	Wood Component Manufacturers Association
National Woodland Owners Association	

¹⁰ National Association of State Foresters, Written Testimony, Joe Fox, NASF President, Senate Committee on Agriculture, Nutrition and Forestry Hearing on "Federal, State, and Private Forestlands: Opportunities for Addressing Climate Change" May 20th, 2021.