



December 22, 2023

**Submitted Electronically  
SR-NYSE-2023-09**

Vanessa A. Countryman  
Secretary  
Securities and Exchange Commission  
100 F St., NE  
Washington, D.C. 20549

**Re: *Notice of Filing of Proposed Rule Change to Amend the NYSE Listed Company Manual to Adopt Listing Standards for Natural Asset Companies, File No. SR-NYSE-2023-09***

Dear Ms. Countryman:

The National Alliance of Forest Owners (“NAFO”) appreciates the opportunity to submit the following comments to the Securities and Exchange Commission (SEC) on the proposed change to the rules of the New York Stock Exchange (“NYSE”) to adopt listing standards for Natural Asset Companies (“NACs”).

NAFO is a national advocacy organization advancing federal policies that ensure private working forests provide clean air, clean water, wildlife habitat, recreation, and jobs through sustainable practices and strong markets. NAFO member companies own and manage more than 46 million acres of private working forests across the U.S. Through sustainable forest management, these private working forests support millions of American jobs and contribute billions of dollars to rural economies.

## **THE BENEFITS OF PRIVATE WORKING FORESTS**

Approximately 360 million acres – or nearly 70% – of working forests in the U.S. are on private land owned by individuals, families, small and large businesses, and Americans who invest in working forests. Private working forests are a critical nature-based solution to many of our most pressing environmental challenges.

Private forest owners<sup>1</sup> have a long and successful track record of managing forests for long-term productivity, providing important benefits for air, climate, and water quality, wildlife habitat, recreation, and rural economies while simultaneously enhancing resistance to insects, disease, catastrophic wildfire, and other natural disturbances.

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<sup>1</sup> Over the past 20 to 25 years, there has been a significant shift in forest ownership in the United States away from integrated corporations toward a variety of ownership structures, including publicly traded Real Estate Investment Trusts (REITs), Timber Management Investment Organizations (TIMOs), and large and small family ownerships. These forest owners are international leaders in sustainable forest practices.

For example, NAFO forests sequester 60 million metric tons of carbon dioxide equivalent (CO<sub>2e</sub>) annually, store 12.7 billion metric tons of CO<sub>2e</sub>, protect over 190,000 miles of streams and rivers, and supply 24 trillion gallons of water each year.<sup>2</sup>

Forest owners nationwide are also engaging in successful voluntary conservation efforts, such as the [Wildlife Conservation Initiative](#) (“WCI”), a [formalized collaborative partnership](#) between the U.S. Fish and Wildlife Service, the National Council for Air and Stream Improvement, Inc. (NCASI), and NAFO to conserve common, at-risk, and listed species on private working forests. The WCI makes millions of forestland acres available for research and conservation related activities. Through the WCI, private forest owners provide access, data, and information to support research efforts, inform management and decision-making, and improve outcomes for species at scale. Through this partnership, plus related efforts through federal, state, and private conservation programs, NAFO members alone report over 10 million acres committed to formal conservation projects.

## COMMENTS

As the SEC evaluates whether to adopt a new standard for the listing of NACs, we urge the Commission to consider the full suite of economic and environmental benefits private working forests provide. Private working forests demonstrate the mutually reinforcing relationship between healthy consumer markets and environmental benefits. NAFO member companies implement strategies that prioritize sustainable forestry *via* promoting biodiversity, carbon sequestration and storage, and watershed protection while guarding against threats from conversion, development, climate change, drought, insects, disease, and wildfire. Concurrently, NAFO member company lands are a primary driver of rural prosperity, timber production, job creation, and the economic stability of local communities.

The positive relationship between the marketplace and the environment is explicit. For example, federal data<sup>3</sup> illustrates that private working forests represent 47% of total forested land base in the U.S. and are the source of 90% of our timber harvest for wood and fiber. At the same time, they account for 80% of our net forest carbon sequestration and nearly half of our total carbon storage. The additional carbon stored in forest products is nearly triple the total carbon stored in all national parks combined. Forest products used in building construction also provide significant carbon displacement benefits when substituted for more carbon intensive materials. The environmental benefits of private working forests are dependent upon healthy forest products markets as demonstrated by the fact that the total volume of trees on private working forests has increased by 60% since the 1950’s during a period of significant growth in population, housing, and consumer demand.

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<sup>2</sup> 2022 NAFO Environmental Benefits Report (<https://nafoalliance.org/ebr/>).

<sup>3</sup> Forest Carbon Data Visualization (<https://www.forestcarbodataviz.org/>).

While private forest owners welcome the opportunity to further monetize the environmental benefits of their forests, we also urge caution to ensure the approach to such monetization maintains the vital relationship between resource utilization and resource conservation. If NACs are approved, rules governing NACs should foster investment in valuable environmental services capable of monetization and price discovery, such as increased water quality and quantity, enhanced carbon outcomes, and improved wildlife habitat, while preserving other essential economic benefits working forests provide. This would entail that NACs lean on the expertise of private forest owners, who already know how to maximize the conservation and economic benefits of their lands—as independently verified through forest certification programs<sup>4</sup>—and whose lands may already incorporate conservation easements, wildlife habitat projects, mitigation banking and other tools that provide ecological benefits. Such an outcome-based approach would optimize both the economic and environmental public benefits private working forests provide while ensuring that forest owners’ operations are not disrupted by novel assessments made by entities that are less familiar with the land.

It is unclear whether the proposal allows for responsible timber harvesting operations to occur on lands where NACs have acquired ecological performance rights. Under the proposal, NACs may “seek to conduct sustainable revenue-generating operations” if such operations are “consistent with the company’s primary purpose[.]”<sup>5</sup> The proposal lists ecotourism and food crops as examples of revenue-generating operations,<sup>6</sup> but is silent on whether sustainable forest management, including timber harvests, would qualify as an eligible revenue-generating operation.<sup>7</sup> Because healthy markets for forest products make conservation benefits possible, we strongly recommend including a specific reference to timber harvests as an appropriate revenue generating operation on lands where NACs have acquired ecological performance rights. Failing to do so would be a significant missed opportunity with counterproductive environmental consequences.

Further, if the NAC listing standards are adopted, we recommend that the SEC work to provide assurances to investors that the intended benefits will be real and verifiable—consistent with the Commodity Futures Trading Commission’s current efforts to address the “proliferation of fraud” in carbon markets.<sup>8</sup> We also recommend that in instances where revenue-generating operations are not present, or are insufficient to yield

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<sup>4</sup> Forest certifications, exemplified by organizations like the Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI), are instrumental in promoting and verifying responsible forest management practices through third-party, independent auditors.

<sup>5</sup> 88 Fed. Reg. at 68811.

<sup>6</sup> *Id.* at 68812.

<sup>7</sup> While the proposal states that NACs will be prohibited from engaging in unsustainable activities such as “unsustainable logging” (88. Fed Reg. at 68814), it does not define unsustainable logging; nor does the proposal expressly state that sustainable logging is an allowable activity by which revenues could be generated.

<sup>8</sup> Commodity Futures Trade Commission. (December 4, 2023). Statement of Commissioner Kristin Johnson: Commission Guidance Regarding Listing of Voluntary Carbon Credit Derivative Contracts. (<https://www.cftc.gov/PressRoom/SpeechesTestimony/johnsonstatement120423>).

meaningful returns on investment, NAC investors be made aware up front that their investments may have little or no monetary value.

Finally, NAFO strongly supports the rights of private property and individual landowners to sell property and interests in land to willing buyers. At the same time, we strongly oppose any measure that would preclude or disrupt acreage from being managed as sustainable working forests. If the SEC determines that NACs could lead to such an outcome, the Commission should disapprove the proposed rule change, as such a measure could move vast swaths of land out of productive use and create a market dynamic wherein NACs permanently displace private working forests and the public economic, employment, and environmental benefits they provide. As clearly demonstrated in the management of federal forested lands, a hands-off approach to land management leads to counterproductive, and sometimes highly destructive, environmental and economic outcomes.

## CONCLUSION

Private working forests harness economic incentives to sustainably manage forested landscapes to provide a variety of environmental benefits. We urge the SEC to approve the rule authorizing NACs *only if* doing so will maintain without disruption the positive relationship between the marketplace and working lands that benefit our economy and our environment.

Respectfully,

A handwritten signature in black ink, appearing to read 'D. Tenny', with a long horizontal flourish extending to the right.

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