



AMERICAN WOOD COUNCIL

January 17, 2024

**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:

To Whom It May Concern:

The American Wood Council (“AWC”) appreciates the opportunity to provide comments in response to the proposed rule change to amend the NYSE listed company manual to adopt listing standards for natural asset companies (“Proposed NAC Rule”).

AWC strongly urges the SEC to *disapprove* the Proposed NAC Rule unless it clearly states that “sustainable revenue-generating operations” explicitly includes timber harvesting and all other forest management activities as practiced by forest landowners whose forests are third-party certified as sustainably managed and/or have committed to manage forestland under state best management practices (BMPs). U.S. timber harvests that support wood products manufacturing are sustainable revenue generating operations that maximize ecological performance, helping to achieve the stated goal of the Proposed NAC Rule. Failure to expressly include timber harvesting could significantly harm the U.S. wood products industry, which depends on a consistent and dependable fiber supply to operate. This sector provides high paying rural jobs and produces the sustainable and carbon-storing wood products needed to address the current U.S. housing crisis and reduce the massive carbon footprint of the built environment.

Given the potentially significant impacts of the Proposed NAC Rule, AWC also respectfully requests that the SEC reopen the comment period for an additional 90 days and extend the decision deadline to ensure that interested parties are given a sufficient opportunity to provide adequate feedback on this significant rule change. We also recommend that the Commission provide public hearings on this rule and conduct a robust cost-benefit analysis to appreciate its potential for serious unintended harms that would undermine the Commission’s mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation.



AMERICAN WOOD COUNCIL

## About the American Wood Council

AWC is the voice of North American wood products manufacturing, an industry that provides over 450,000 people in the United States with family-wage jobs. AWC represents 87 percent of the structural wood products industry. Our members make products that are essential to everyday life and that are derived from a renewable resource that sequesters and stores carbon for many decades. Our staff experts develop state-of-the-art engineering data, technology, and standards for wood products to ensure their safe and efficient design, as well as provide information on wood design, green building, and environmental regulations. AWC also advocates for balanced government policies that affect wood products.

## Timber Harvests Are Sustainable Revenue Generating Operations That Maximize Ecological Performance Helping to Achieve the Goal of NACs

The stated core purpose of a NAC is to “maximize ecological performance.” The December 21, 2023, notice goes on to state that the “NAC would also be required to seek to conduct sustainable revenue-generating operations.” Interestingly, the wording in the Rule suggests that these two objectives – maximizing ecological performance and conducting sustainable revenue-generating operations – are somewhat mutually exclusive. Notably, for working forests, it is in fact the sustainable revenue-generating timber harvests that maximize ecological performance of our nation’s forestlands. The UN Intergovernmental Panel on Climate Change has stated, “In the long term, a sustainable forest management strategy aimed at maintaining or increasing forest carbon stocks, **while producing an annual sustained yield of timber, fiber, or energy from the forest**, will generate the largest sustained [climate] mitigation benefit.”<sup>1</sup>

Moreover, thanks to modern day forest practices in the U.S., timber harvests “do not cause any material adverse impact on the condition of the natural assets.” In fact, actively managed forests provide a host of ecological and social benefits. Additionally, timber harvests on sustainably managed forests in the U.S. are followed by intensive replanting, ensuring the criteria for sustainable revenue-generating operation are fully met. Recognizing that wood products will remain a cornerstone of building and development activities globally, the NAC could result in markets looking to other parts of the world where there is not a robust landscape of environmental regulations as exists in the U.S., and in so doing, create negative externalities for ecosystems, human communities, and the climate.

### A. Timber Harvests for Wood Products Maximize Ecological Performance of NAC Forestland

When taken together, working forests and the wood products they supply provide significant climate benefits, as well as other valuable benefits to the environment, our economy, and rural communities across the United States. According to recent greenhouse gas (GHG) inventory

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<sup>1</sup> Climate Change 2007- Mitigation of Climate Change, Contribution of Working Group III to the Fourth Assessment Report of the Intergovernmental Panel on Climate Change, [B. Metz, O.R. Davidson, P.R. Bosch, R. Dave, L.A. Meyer (eds)], Cambridge University Press, Cambridge, United Kingdom and New York, NY, USA, Chapter 9, p. 543 (emphasis added).



AMERICAN WOOD COUNCIL

data, U.S. forests stored 58.7 billion metric tons (BMT) of carbon in 2019.<sup>2</sup> This amount represents an offset of approximately 12% of total U.S. GHG emissions in 2019. Notably, about 5% of this carbon is stored in wood products, including building materials, and further carbon storage in wood products represents an enormous opportunity to remove and store additional carbon from the atmosphere.

Globally, the built environment is a major source of GHG emissions but also represents a massive opportunity for reducing GHG emissions and creating carbon storage benefits. Wood products offset GHG emissions from other sectors and human activities by storing carbon while also displacing emissions from conventional carbon-intensive building materials. Using mass timber products like cross-laminated timber and glued-laminated timber can reduce construction phase (embodied) emissions by 69%, especially when sourced from sustainably managed forests.<sup>3</sup> Climate benefits are particularly strong for structural wood products used in the built environment, which results in long-lasting carbon storage, during the life of the building as well as during the end-of-life phase of those materials, decades in the future.

Working forests that sequester carbon from the atmosphere also provide important ecosystem services by enhancing water quality and wildlife habitat and improving resilience to insects, disease, catastrophic wildfire, and other natural disturbances. A failure to manage forests conversely can increase the risk of environmental disasters like wildfire<sup>4</sup> and can also lead to diminished carbon and climate outcomes, as aging trees sequester carbon at a reduced rate and ultimately release carbon when they die and decompose.<sup>5</sup>

The environmental benefits of working forests and wood products have been recognized by this Administration, including most recently in the following COP 28 announcement by the Forests and Climate Leaders Partnership, which was co-chaired by U.S. Special Climate Envoy, John Kerry:

*“Recognizing that wood from sustainably managed forests provides climate solutions within the construction sector, we commit to, by 2030, advancing policies and approaches that support low carbon construction and increase the use of wood from sustainably managed forests in the built environment. Such policies and approaches will result in reduced GHG emissions, and an increase in stored carbon.”<sup>6</sup>*

This statement was signed by the U.S. and 16 other countries, including France, Germany, Japan, Korea, Canada, and Great Britain.

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<sup>2</sup> U.S. forests also sequestered 791 million metric tons of CO<sub>2</sub>e in 2019 alone, primarily by removing CO<sub>2</sub> from the atmosphere.

<sup>3</sup> Himes, Austin and Busby, Gwen. [Wood buildings as a climate solution](https://doi.org/10.1016/j.dibe.2020.100030), Developments in the Built Environment, Volume 4, 2020, 100030, ISSN 2666-1659, <https://doi.org/10.1016/j.dibe.2020.100030>.

<sup>4</sup> [Does hot and dry equal more wildfire? Contrasting short- and long-term climate effects on fire in the Sierra Nevada, CA](#). Ecosphere. July 26, 2021.

<sup>5</sup> Forest Carbon from Young vs. Old Forests. (2021, January 22). NCASI. <https://www.ncasi.org/resource/forest-carbon-from-young-vs-old-forests>.

<sup>6</sup> Available at: <https://www.businesswire.com/news/home/20231206912774/en/>.



AMERICAN WOOD COUNCIL

It must be noted that domestic wood products also provide significant socioeconomic benefits to many communities across the United States, supporting good-paying rural jobs and positive economic outcomes related to recreation, working forests, and wood products manufacturing. The supply chain for wood products involves many small, family-owned businesses. These include small landowners who produce timber, local sawmills, and the many small businesses and independent contractors who support the wood products industry through logging, trucking, and provision of other services to the wood products industry. This wide circle of economic activity supports rural economies and the people and families who rely on working forests for their livelihood. Indeed, the U.S. wood products industry not only directly employs over 450,000 people in manufacturing, but also supports additional jobs in forestry and other industries while providing over \$28 billion in payroll income to American workers and paying over \$600 million in state and local taxes annually.<sup>7</sup>

### **B. Timber Harvests for Wood Products Manufacturing Meets the Criteria for Sustainable Revenue Generating Operations**

Timber harvests for manufacturing wood products in the U.S. meet the criteria for a sustainable revenue-generating operation. Working forests are able to ensure these benefits using practices required for sustainably harvesting timber, such as road maintenance and site preparation, managing for wildfire with fire breaks and selective controlled burns, and preventing disease and pest outbreaks through noncommercial harvests. All of these activities are critical and must be allowed under the broader defined category of timber harvest that qualifies as sustainable revenue-generating operations.

Importantly, all of these activities are also highly regulated and controlled through federal and state laws, as well as voluntary forestry certification programs. Contemporary U.S. forestry operations are subject to the highest standards for responsible timber harvesting as compared to anywhere else in the world. Beyond complying with robust federal regulatory requirements under the Clean Water Act, Endangered Species Act and the National Environmental Policy Act, among others, private landowners must often develop forestry management plans and meet other significant state regulatory requirements.<sup>8</sup> In addition, many landowners participate in voluntary forestry certification programs like the [Forest Stewardship Council](#) (FSC) and [Sustainable Forestry Initiative](#) (SFI), which impose additional forest management practices that are verified by third-party auditors. U.S. wood products manufacturers also follow rigorous sourcing requirements, including those outlined in FSC and SFI standards, to ensure they are sourcing wood that has been legally harvested and that meets additional sustainability requirements. Taken together, these robust requirements ensure that not only would timber harvests for wood products manufacturing be consistent with the NAC's charter, but also not cause any material adverse impact on the condition of the natural asset.

Active forestry management in fact creates additional benefits that support good ecological outcomes. U.S. forest landowners that employ active management are better able to control for disease and wildfire, both of which have increased in frequency and scale due to climate change.

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<sup>7</sup> <https://awc.org/wp-content/uploads/2023/04/United-States-State-Data.pdf>.

<sup>8</sup> See for example Washington State's Forest Practice Rules at [Forest Practices Rules | WA - DNR](#).



AMERICAN WOOD COUNCIL

Moreover, trees will not indefinitely sequester carbon at the same rate, and in fact begin to decline in their ability to sequester carbon at a certain point in their lifespan depending on species and management practices.<sup>9</sup> Modern day harvesting practices often harvest trees near the point of diminishing returns for carbon sequestration, resulting in maximum carbon uptake of the tree prior to harvest. Moreover, USFS FIA data shows that in the U.S., forest stocks have been increasing for more than 60 years,<sup>10</sup> and the younger trees sequester carbon more rapidly than older trees past their peak sequestration.<sup>11</sup> This results in optimal carbon benefit for the planet, particularly when harvested trees are turned into wood products that store carbon for the life of the building and beyond.

Harvesting timber would clearly also meet the final requirement for classification as a sustainable revenue-generating operation, which is that the activity must “seek to replenish the natural resources being used.” Private forest landowners replant far more than they harvest, many times at a scale of three or four to one. According to the USDA, from 1953 to 2017, in a time of expanding population and increasing demand for homes, paper products, and energy, the total volume of trees grown in the U.S. increased by 60%.<sup>12</sup> This is a remarkable statistic that demonstrates the power of the wood products industry as a renewable resource and engine for climate mitigation. It also demonstrates that timber harvests would clearly meet this final requirement for classification as a sustainable revenue-generating operation.

### **Given the Complexity and Potential Impact of the Rule, More Time is Required for Review**

We respectfully submit that the SEC should not approve this rule at this time and at a minimum should provide ample opportunity for meaningful public review and consideration of the potential unintended consequences. The SEC provided a limited public comment period (21 days for comment on the October 4 notice, and 21 days for comment on the December 28 notice, including many holiday and weekend days). That clearly is inadequate given the significance of the rule being considered and its potential for complex and adverse consequences that evidently are not understood nor disclosed, much less analyzed. Many interested parties would provide public comment if they were aware of the proposal and given sufficient time.

Accordingly, we respectfully request that the SEC reopen the comment period for an additional 90 days and extend the decision deadline to ensure that interested parties are given a sufficient opportunity to provide adequate feedback on this significant rule change. We also recommend

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<sup>9</sup> Forest Carbon from Young vs. Old Forests. (2021, January 22). NCASI.

<https://www.ncasi.org/resource/forest-carbon-from-young-vs-old-forests>.

<sup>10</sup> Oswald, Sonja N.; Smith, W. Brad; Miles, Patrick D.; Pugh, Scott A., coords. 2019. Forest Resources of the United States, 2017: a technical document supporting the Forest Service 2020 RPA Assessment. Gen. Tech. Rep. WO-97. Washington, DC: U.S. Department of Agriculture, Forest Service, Washington Office. 223 p. <https://doi.org/10.2737/WO-GTR-97>.

<sup>11</sup> Forest Carbon from Young vs. Old Forests. (2021, January 22). NCASI.

<https://www.ncasi.org/resource/forest-carbon-from-young-vs-old-forests>.

<sup>12</sup> Oswald, Sonja N.; Smith, W. Brad; Miles, Patrick D.; Pugh, Scott A., coords. 2019. Forest Resources of the United States, 2017: a technical document supporting the Forest Service 2020 RPA Assessment. Gen. Tech. Rep. WO-97. Washington, DC: U.S. Department of Agriculture, Forest Service, Washington Office. 223 p. <https://doi.org/10.2737/WO-GTR-97>.



AMERICAN WOOD COUNCIL

that the Commission provide public hearings on this rule and conduct a robust cost-benefit analysis to appreciate its potential for serious unintended harms that would undermine the Commission's mission to protect investors, maintain fair, orderly and efficient markets, and facilitate capital formation. The potential impacts of this proposed rule necessitate a more deliberative process.

## **Conclusion**

U.S. timber harvests for wood products are a sustainable revenue-generating operation that maximizes ecological performance, ensuring that the goal of a forest landowner NAC would be met. The contribution of timber harvests for forest products manufacturing provides a combination of economic and ecological benefits likely beyond any other manufacturing sector of the U.S. Failure to explicitly incorporate timber harvests, including all the sustainable forestry management practices that are in accordance with federal and state law, as sustainable revenue-generating operations in the final regulation will pose too great a risk to the U.S. forestry and forests products sector, which are engines for economic growth and provide real, measurable ecological benefit to the country. As a result, AWC strongly urges the SEC to disapprove the Proposed NAC Rule unless it clearly states that "sustainable revenue-generating operations" includes all U.S. timber harvesting and other forest management activities as practiced by forest landowners whose forests are third-party certified as sustainably managed and/or have committed to manage forestland under state best management practices (BMPs). AWC also would strongly urge the SEC to provide more time for notice and comment, as well as an opportunity for public hearings, given the significant potential unintended consequences of the Proposed NAC Rule.

Sincerely,

Jackson Morrill  
President & CEO  
American Wood Council