



## **Issue Brief: Renewable Energy**

***Renewable energy generated from forest materials and byproducts hold greater promise than other energy sources, making America's private forests vital to the nation's renewable energy efforts.***

As America seeks to reduce its dependence on fossil fuels – and particularly imported energy – many are looking to homegrown renewable energy as a viable solution. U.S. efforts to produce renewable transportation fuels have largely focused on corn ethanol to date. However, as the need for renewable fuel sources increases, it is clear that corn alone will not meet the growing demand. Demand will likely intensify as global food prices continue to rise and the "food versus fuel" debate continues.

Part of the answer is to use cellulosic sources, such as forest materials and wood scraps, to produce "second generation renewable fuels" that are more energy efficient to produce. Cellulosic ethanol, for example, is more than three times as efficient to produce as corn ethanol, which means more alternative energy can be generated with less energy input.

Additionally, these second generation renewable fuels hold greater potential than corn ethanol because they can be made from parts of trees and shrubs, other forest and agricultural residues, or dedicated energy crops grown on marginal lands without the water and nutrient inputs required by food grains.

America's well-managed forests will play an important role in meeting U.S. energy needs in the future. U.S. policies should encourage investment in forests as a source of renewable energy, by establishing non-restrictive definitions of forest biomass eligible for use in renewable energy programs.

The government should invest in research, technology transfer and production incentives for second generation renewable fuels from cellulosic sources, as it has for first generation fuels, such as corn ethanol. Incentives for producers of second generation renewable fuels will help establish a robust bio-fuels production infrastructure in the U.S.

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## Issue Brief: *Climate Change*

***America's well-managed private forests are vital to any discussion of climate change because of their unique ability to help reduce and manage greenhouse gases in our atmosphere.***

Rising global concern about the environment and climate change has led to policy activity at all levels of government – with an emphasis on reducing carbon dioxide and other greenhouse gas emissions. The current U.S. Climate Policy focuses on three areas: 1) slowing the growth of emissions, 2) strengthening science and technology, and 3) enhancing international cooperation.

Forestry is uniquely positioned to offer solutions because it is a means to naturally increase carbon *absorption* through a process called *sequestration*. Trees remove, or *sequester*, carbon from the atmosphere, and store it in wood. That carbon remains stored even if the tree is used to make much needed wood products, such as homes, furniture and other products used by millions of Americans every day. Wood from sustainably managed forests also provides a renewable and carbon neutral energy source as an alternative to fossil fuels.

As forestlands face increasing pressure from population and land-use changes, public policies that encourage the forests' maintenance and sustainable management can be a significant part of global greenhouse gas mitigation efforts. This is in addition to the many other environmental values contributed by well-managed forests: wildlife habitat, biodiversity, water quality, air quality, and maintenance of rural landscapes.

Private forest owners and sustainable forest management are crucial to the reduction and management of greenhouse gas emissions, and therefore to public climate change policy.

As the United States considers greenhouse gas emission reduction legislation and develops the protocols to use forest carbon to offset industrial carbon dioxide emissions, NAFO believes the government must establish how forest landowners can demonstrate legal equivalency for the carbon sequestered in forests, the carbon stored in wood products, and the carbon dioxide emissions avoided by using wood as a renewable energy source in place of fossil fuels. Government policies should also recognize the value of using wood as a building material that is grown with solar energy as opposed to other materials, such as concrete and steel, that take large amounts of energy to produce.

Voluntary policies and economic incentives should encourage keeping forests in long-term forest use and provide forest landowners with market-based mechanisms to mitigate emissions from other sectors.

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## Issue Brief: *Environment*

***America's private forests are vital to our water supply and the health of wildlife water habitat, but potential over-regulation could have the unintended consequence of driving good forest landowners out of the business of growing and maintaining forests. Not only would this have a negative impact on the U.S. economy, but on the environment as well—air and water quality, climate, wildlife habitat, and landscape would all suffer as a result.***

Private forest owners conduct operations that have potential impacts on water quantity and quality on a daily basis and are regulated at the Federal, state, and local levels. Properly planned and executed forest management, conducted in accordance with state and federal Best Management Practices, can maintain clean water in the streams, lakes, and rivers in and near forests.

The Federal Clean Water Act (CWA) of 1972 has the most significant direct influence on forest management activities. CWA programs impacting forestry include those involving Nonpoint Source Pollution, the Total Maximum Daily Load (TMDL) Program, Wetlands, and storm and waste water permitting requirements. Additionally, new interpretation of the 1899 Rivers and Harbors Act is impacting forestry, and states frequently develop new water regulations as they find need.

Some courts and regulators have extended the reach of CWA to the point where it may harm rather than help water quality. An expanded CWA could drive good forestland owners out of the business of growing forests, which will have a negative impact on the environment.

At the direction of the Federal Courts, the U.S. EPA is currently revisiting its 1976 designation of silviculture as a nonpoint source of pollution. Forestry should remain a nonpoint source. Additionally, the agency's TMDL Program now correctly classifies silvicultural activity as a nonpoint source of pollution with respect to impaired waters. Any reversal of current policies will expose forest management to overly burdensome permitting processes, which may discourage investment in our nation's private forests.

It is important that any new legislation addressing wetland regulations avoid the unintended consequence of eliminating certain critical proven and well-thought out exemptions for normal forestry operations in wetlands, such as temporary stream crossings and road building, drainage, and even sustainable harvesting.

In addition, in southern Louisiana a new, too-broad interpretation of the 1899 Rivers and Harbors Act to include silvicultural activities is having a negative impact on forestry in the region, and could, if it spreads to other regions of the country, discourage long-term, sustainable forest ownership and management.

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## **Issue Brief: Long-Term Investment and Tax Policy**

***The face of forest ownership in America is constantly changing. Tax policy needs to keep up with these changes to encourage and enable forest landowners to sustainably manage America's forests for the long-term.***

Today Americans rely on forests in more ways than ever before. When managed sustainably, forests offer endless recreational opportunities and environmental benefits, such as wildlife habitat and clean water and air, but they also produce the raw materials that go into literally thousands of products we use each and every day. Whether the box for our breakfast cereal, the kitchen table, the morning paper or the home we live in – all are provided by sustainable working forests. Yet, behind each working forest is a long-term investment that must be managed carefully to reduce significant risk and realize long-term benefits for the forest owner.

Congress and the Department of Treasury have provided certain Federal tax provisions that recognize the unique nature and importance of America's forests and forestland owners. Some of these provisions clarify the application of tax rules to forest holdings and operations; other provisions recognize the longstanding importance of forest products to the U.S. economy and provide tax incentives for proper forestland investment, management, and stewardship. These incentives recognize that forest ownership requires patience, diligence, and long term commitment.

Present law and tax provisions that relate to forest holdings and operations provide certainty in the administration of the tax law and appropriate incentives for the continued investment in U.S. forestlands and should be maintained. However, tax policies should also be contemporary with current trends in forest ownership in America as tens of thousands of Americans invest in their future through forest ownership.

Today Americans own forests through a variety of ownership structures, including REITs (Real Estate Investment Trusts), TIMOs (Timber Management Organizations), partnerships, small and large businesses and family investments. NAFO believes the government should modernize tax provisions to reflect the variety of forest ownerships and encourage long-term investment in sustainable working forests.

Moreover, U.S. forest ownership now faces increased competition from overseas. American policymakers must ensure that U.S. laws, including tax laws, eliminate and do not create disadvantages in holding and managing working forests in a sustainable manner.

Finally, working forests will play an important role in climate change and renewable energy policy, and a comprehensive plan should include tax provisions promoting the unique contributions of working forests to these important national priorities.

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