



August 18, 2025

Washington Department of Ecology

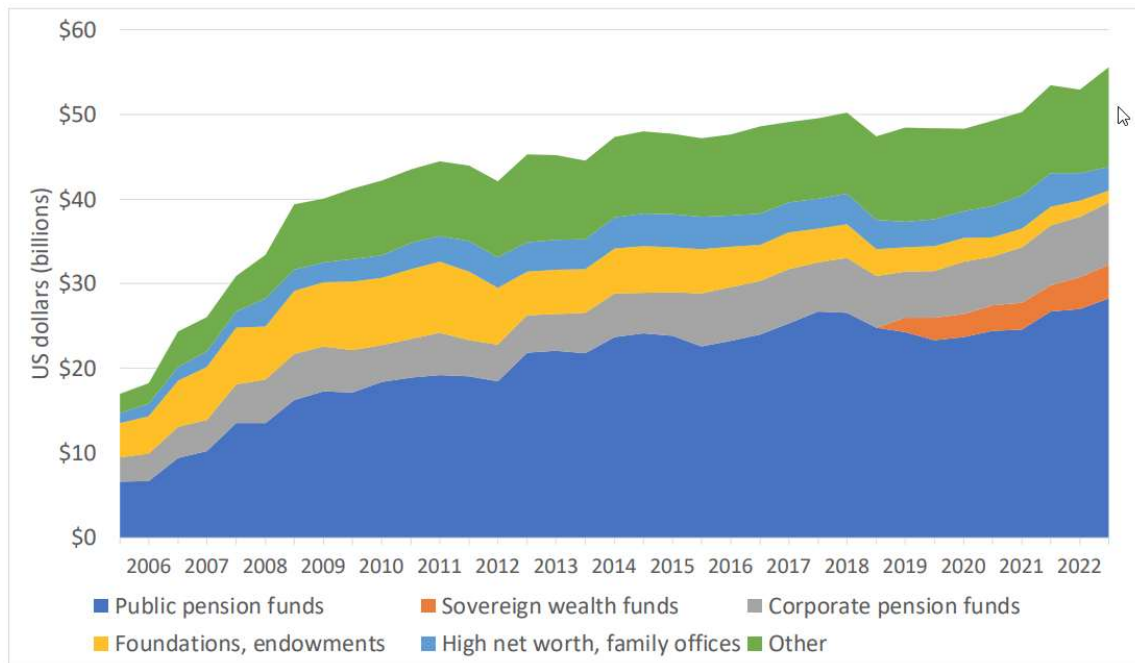
Re: Hampton Lumber's Comments on Ecology's Revisions to its U.S. Forest Protocol

To Whom it May Concern,

Thank you for the opportunity to comment on the Washington Department of Ecology ("Ecology") draft rule language (the "Revisions") for the Cap-and-Invest offsets rulemaking revising Ecology's U.S. Forest Protocol (the "Protocol"). Please accept these comments on behalf of Hampton Lumber, a fourth-generation family-owned wood products manufacturer and forest landowner in the Pacific Northwest. In Washington, Hampton Lumber directly employs over five hundred people and manages approximately 165,000 acres of timberland.

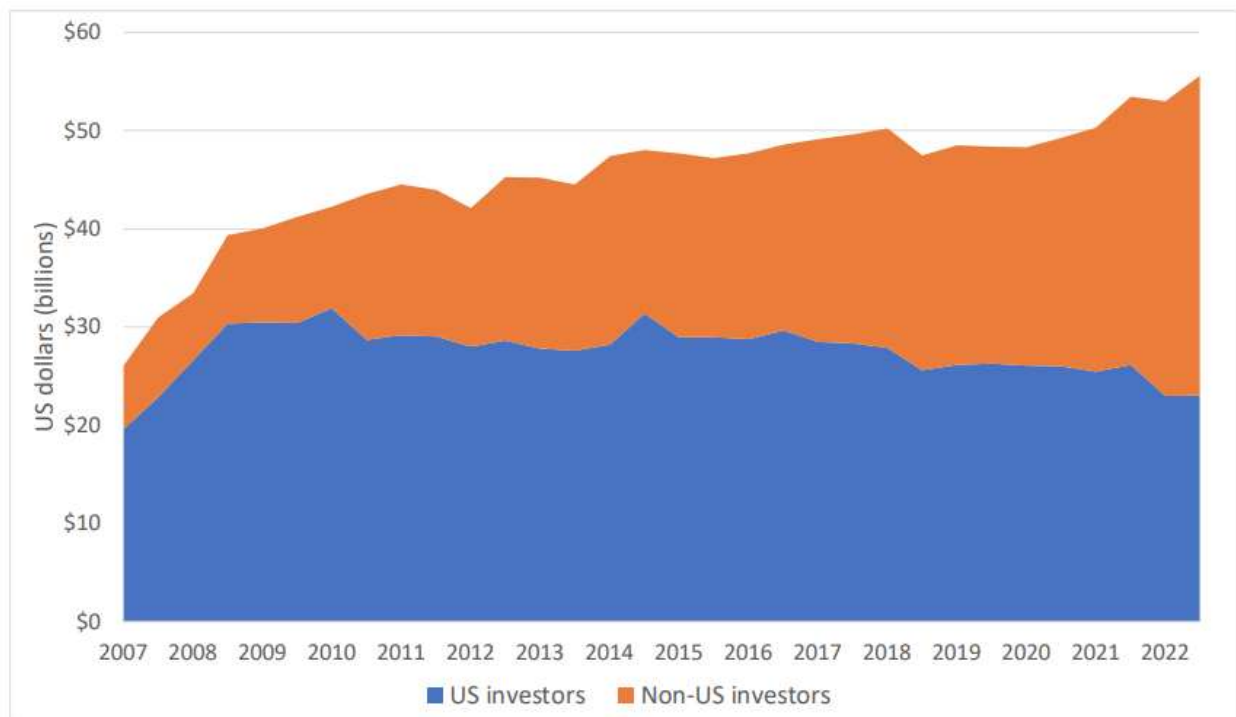
We write principally out of concern that, if left unchecked, **extended rotations under improved forest management projects will destroy Washington's milling infrastructure, and with it the livelihoods of thousands of Washingtonians living in rural, underserved areas.** We ask that Ecology condition project enrollment on modeling that evidences cumulative impacts of forest offset projects in any given wood basket will fall below a regulatory threshold. Rural communities stand to bear a disproportionate economic burden under the Cap-and-Invest program and the state has a responsibility to examine and address potential impacts to fiber supply in a meaningful way.

A little history might best illuminate the issue. Beginning in the 1980s, but accelerating in the mid-2000s, many vertically integrated forest products companies in the Pacific Northwest began divesting their timberland assets. These lands were purchased by a variety of institutional investors that saw an opportunity to manage the lands for greater financial return. As shown on the graphic on the following page, this trend continues through today, with massive institutions acquiring ever-more of the country's timberland base.



US Forestland Investor Types¹

Increasingly, these are non-US investors.



Investor Location²

¹ Tracy Buran Evens, TIMOs & Timber Capital, TimberLink, available at <https://link.curtiss.io/a9386>.

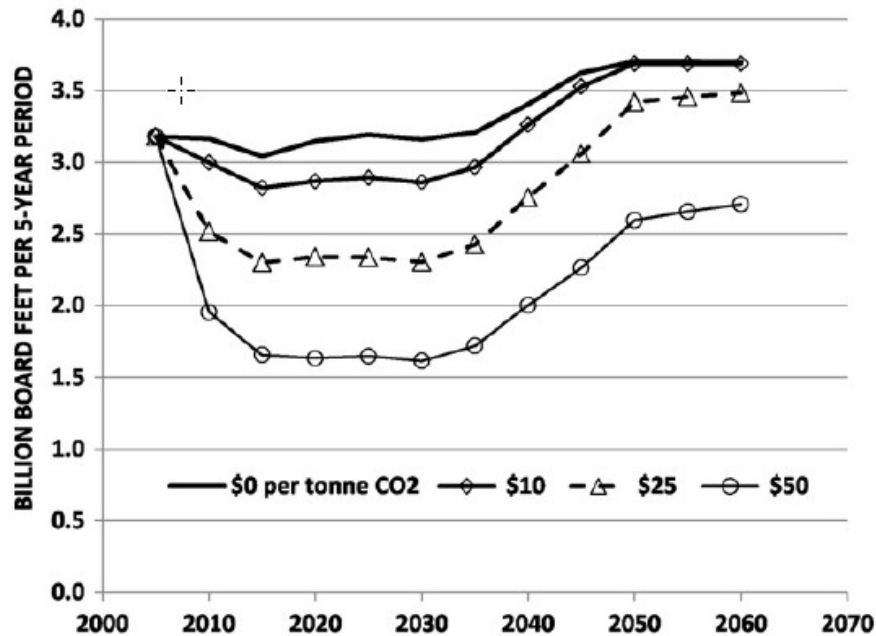
² *Id.*

At the same time, the average harvest age has fallen over the same period. There's little empirical data, but as a company that's been buying logs for eight decades, we can attest that private land log size has fallen substantially since the 1990s. This is driven principally by financial models developed by the same institutional investors described above. By reducing harvest ages from ~60 years to ~40 years, managers substantially increased harvest volumes in the short term, and given the time value of money, they will maximize financial returns over the long term.

As a result of declining log size on private lands, and dramatic declines in public land harvest volumes, sawmills throughout the Pacific Northwest were forced to reconfigure their mills to process smaller logs more quickly. In order to remain competitive in commodity manufacturing, sawmills must spread costs across as many units as possible. To the degree log size is shrinking due to a falling average harvest age, that means mills must consume a higher number of logs over the same period of time to keep unit manufacturing costs in check. Increasing piece count through the mills has required substantial investment in precision machines, faster motors, longer landing belts, and thinner saw blades. That we've been able to maintain relatively consistent lumber volumes for the last couple decades in the face of a changing log profile is a testament to the miracle of engineering in the modern sawmill.

This brings us to forest carbon offsets. It is widely recognized that harvesting forest stands at an age closer to the culmination of the mean annual increment (i.e., the point at which the average annual growth is maximized) will increase the amount of carbon stored in the forest and will, all else being equal, eventually increase the amount of wood fiber harvested in any given year because the trees grew longer and are therefore bigger. The problem is that **there's no getting from here to there without reducing forest harvest in the interim**. In order for a landowner to extend rotation ages in a manner that produces additionality, the landowner must forego harvest otherwise available (allowing their trees to grow longer and larger). This will, definitionally, reduce the volume harvested off that landowner's timberlands for some period of time. There is simply no other source of timber for sawmills to purchase to bridge the time gap.

Declining harvest volumes at various carbon prices can be dramatic. A study published in *Forest Policy and Economics* in 2016, analyzing the impacts of various offset programs in western Oregon found that carbon pricing at \$50 a ton could reduce harvest by approximately half.



Private softwood timber harvest in western Oregon by CO2 price scenario.³

Unlike the program modeled above, Washington’s Cap and Invest legislation puts a ceiling on how much of a regulated entity’s compliance obligation may be satisfied with offsets, and a fraction of those offsets may be sourced from out of state. But if Washington’s total greenhouse gas emissions are 100 million metric tons,⁴ and approximately 70% is covered by the Cap and Invest program,⁵ then that’s still 70 million metric tons seeking compliance instruments. If 4% of that can be satisfied with carbon offsets, that’s 2.8 million tons. At \$50 a ton, that’s \$140 million per year of demand for offsets. That much money will put a lot of forestland to sleep. And that’s year, after year, after year.

In our view, offsets introduce substantial uncertainty for our industry. If all of the landowners in a given wood basket were to enroll simultaneously, no single landowner may believe their carbon project will impact the local mill. But all of them together may produce an extended period of time with dramatically reduced harvests.

It’s important to understand that modern sawmills cannot simply run fewer hours, or fewer shifts. As described above, reduced throughput dramatically increases unit manufacturing costs. Hampton could try to compete for wood outside of our traditional wood baskets, but other

³ Latta et al., Evaluating land-use and private forest management responses to a potential forest carbon offset sales program in western Oregon (USA), *Forest Policy and Economics* 65 (2016) 1-8.

⁴ Washington’s Greenhouse Gas Inventory, Washington Department of Ecology, *available at* <https://link.curtiss.io/6rzof> (last accessed August 18, 2025).

⁵ USA – Washington Cap-and-Invest Program, International Carbon Action Partnership, *available at* <https://link.curtiss.io/k8vvt> (last accessed August 18, 2025).

producers will have the advantage as their cost to transport the wood to their mills will be less. Lumber is a global commodity. If we cannot produce lumber for less than the market price, mills will close. And once they close, they almost never return.

At Hampton, we're sympathetic to the argument that a better long-term policy outcome might be achieved by extending rotations. If our objective is both maximizing harvest volumes and maximizing carbon in the forest, then a rotation age somewhere near the culmination of the mean annual increment makes some sense. If given enough time, Hampton will once again make the investments necessary to process a larger log.

But we also believe that it's best to be mindful of second-order effects, and to avoid disasters before they happen. In our view, the forest offset protocol should incorporate a test for project enrollment that hinges on wood fiber availability in individual wood baskets. For instance, we would propose that project developers announce their projects for some period of time in advance – maybe two years – and then at the close of that period model the impacts associated with all other projects then-existing or announced during that two-year period. If those cumulative impacts would reduce fiber availability in the wood basket by more than a regulated threshold (e.g., 5%) relative to baseline, then the project would be asked to produce offsets in some other manner, or be withdrawn. Otherwise, project enrollment would proceed in the order of announcement and approval (i.e., first-come, first-served).

We hope that a regulatory test such as that described above might slow the impact on forest product manufacturers in Washington, and enable a more orderly transition to older age classes. Otherwise, if left unbridled, we fear that forest carbon offsets in Washington will enable the likes of Chevron and Exxon to carry on with their business by paying timberland-owning foreign sovereign wealth funds to sacrifice domestic forest product manufacturers like Hampton Lumber. This, in turn will inflict unintended financial burden on underrepresented rural communities. The only tangible outcome will be to enrich the very landowners who reduced rotation ages in the first instance. This is not good policy.

On behalf of Hampton's 3,000 employees, we thank you for considering our comments.

Respectfully,

A handwritten signature in black ink, appearing to read 'H. Curtiss', with a stylized flourish at the end.

Heath Curtiss
General Counsel, Secretary
Vice President – Government Affairs