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New Federal Policies Affecting US Forests, the Timber Market, and Forest Carbon Projects

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Introduction

On March 1, 2025, the United States (US) federal administration issued two executive orders related to the timber industry:

- **Executive Order 14225: Immediate Expansion of American Timber Production**,[1] directs federal forest management agencies to increase domestic wood production.
- **Executive Order 14223: Addressing the Threat to National Security from Imports of Timber, Lumber, and Their Derivative Products**,[2] aims to mitigate risks associated with timber imports.

These policy shifts reflect a new federal strategy for domesticating wood supply chains, with potentially significant implications for the voluntary carbon market (VCM) and nature-based carbon dioxide removal (CDR) projects. Projects generating forest carbon credits may face shifting baselines, changing economic pressures, and leakage risks.

This new timber market paradigm will present both opportunities and risks for forest carbon projects in the US. Carbon Direct anticipates a rise in sawmill production to meet domestic demand. This may enhance the additionality of improved forest management (IFM) projects, but could increase the risk of leakage. In contrast, most afforestation, reforestation, and revegetation (ARR) projects will be unaffected, since these projects typically involve younger forests located on private land. However, shifts in timber prices could influence future harvest timelines and credit issuance schedules.

Key takeaways

- New federal policies will likely reshape domestic timber markets, potentially enhancing the additionality of IFM projects in the US while increasing the risk of leakage and reversal.
- Most ARR projects in the US will remain unaffected, though shifts in timber prices could influence future harvest timelines and credit issuance schedules.
- Buyers should evaluate carbon credit quality and their procurement strategy in the context of shifting policy and market forces, including thorough technical diligence of nature-based CDR projects.

A paradigm shift for US timber supply

Executive Orders 14225 and 14223 signal a clear intention to boost harvest activity on federal land and to onshore as much wood and fiber production as possible. The administration intends to increase harvested volume by 25% on federal lands[3] within five years and increase domestic production of US timber. Executive Order 14225 prioritizes management activities that reduce

[1] Federal Register. 2025 Mar 6. Immediate Expansion of American Timber Production. [accessed 2025 May 30].https://www.federalregister.gov/documents/2025/03/06/2025-03695/immediate-expansion-of-american-timber-production.
[2] Federal Register. 2025 Mar 6. Addressing the Threat to National Security From Imports of Timber, Lumber, and Their Derivative Products. [accessed 2025 May 30]. https://www.federalregister.gov/documents/2025/03/06/2025-03693/addressing-the-threat-to-national-security-from-imports-of-timber-lumber-and-their-derivative.
[3] French CB, Acting Associate Chief of the United States Forest Service. 2025 Apr 3. Implementation of Secretarial Memo 1078-006. [accessed 2025 May 30]. https://www.usda.gov/sites/default/files/documents/implementation-secretarial-memo-1078-006.pdf.

wildfire risk while broadly stating that sound forest management is critical to US economic security. Executive Order 14223 directs agencies like the US Forest Service (USFS) and the Bureau of Land Management (BLM) to expedite permitting processes to facilitate these goals.

In response, the United States Secretary of Agriculture, who oversees the USFS, released a statement[4] identifying 112,646,000 acres of USFS land[5] deemed at risk of disturbance from wildfire, insects, and disease. The agency is targeting these acres for increased harvesting.

To address Executive Order 14225, regional foresters have been tasked with developing five-year plans to implement targeted management activities on federal lands:

- **Fuel reduction:** Manage and remove flammable vegetation (fuels) to decrease the likelihood and severity of wildfires.
- **Salvage harvesting:** Harvest trees killed or damaged by unforeseen and uncontrollable events such as insects, wildfire, wind, or other natural disturbances.
- **Sanitation harvesting:** Harvest trees that are diseased, infested with insects, or otherwise hindered to improve the overall health and resilience of a forest by addressing potential threats before they can cause widespread damage.

Enactment on these orders is still in an early stage. There is no concrete information available on what volumes or quality of wood will be produced as a result of full enactment. However, the targeted management activities will likely produce large volumes of low-quality wood. This supply may not align with market demands or mill requirements, and may have limited interest from timber buyers.

Implications for the timber market

The broader policy objective of domesticizing the production of US timber will impact US timber markets. Continued tariff negotiations and disrupted trade with Canada and China, the US's two largest sources of imported timber,[6] suggest that simply increasing harvest on federal lands may not be enough to meet the domestic demand for timber.

The US currently imports roughly 30% of its lumber to meet domestic demand.[7] Softwood lumber consumption alone totals around 50 billion board feet (BF) annually. Of that, roughly 15 billion BF is imported, and roughly 35 billion board feet is domestically produced. Total annual USFS harvests (hardwood and softwood) average around 3 billion BF, only accounting for about 7% of total US

[4] United States Department of Agriculture. 2025 Apr 3. Secretary's Memorandum 1078-006: Increasing Timber Production and Designating an Emergency Situation on National Forest System Lands. [accessed 2025 May 30]. https://www.usda.gov/sites/default/files/documents/sm-1078-006.pdf
[5] United States Forest Service. 2025. Forest Health and Fuels Emergency Situation Determination (FHFESD) Lands. [accessed 2025 May 30]. https://www.usda.gov/sites/default/files/documents/forest-health-fuels-emergency-lands.pdf
[6] World Integrated Trade Solution Data. 2022. United States Wood Imports by country 2022. [accessed 2025 May 30]. https://wits.worldbank.org/CountryProfile/en/Country/USA/Year/LTST/TradeFlow/Import/Partner/by-country/Product/44-49_Wood.
[7] Howard JL, Liang S. 2018. U.S. timber production, trade, consumption, and price statistics, 1965-2017. Fort Collins, CO: Forest Service Research Data Archive. https://doi.org/10.2737/RDS-2018-0035.

timber production.[8] A 25% increase in USFS production adds just 0.75 billion BF to domestic production, for a total under 4 billion BF. If the goal is to domesticize the production of US lumber to meet consumption, this falls far short of filling the import gap (**table 1**).

Table 1. United States timber production, imports, exports, and consumption, *billion board feet*

	Production		**Imports**	**Exports**	**Consumption**
	Total	USFS			
Softwood	33.9	2.7	15.7	1.7	47.9
Hardwood	8.3	0.2	0.4	1.9	6.8
Total	42.2	2.9	16.1	3.6	54.7

Note: Production, import, export, and consumption volumes are from 2017, the most recent data year available. USFS data is also from 2017 for comparison, but more recent data is available. USFS timber production for 2023 was 3 billion board feet, which represents only a 2.6% increase from 2017 production.

To fill this gap, remaining domestic production will likely have to come from harvesting on private lands. Private timberlands, family and commercial, make up 58% of US forested land,[9] and already account for over 88% of the country's annual harvested volume.[10] Increased federal harvesting might slightly lower stumpage prices (the value of standing wood in the forest), which could benefit struggling mills. However, these policies are likely to generate greater demand for harvesting on private lands and will likely push stumpage prices higher overall.

Mill capacity is another key factor to consider. Increasing domestic timber production will mean that US lumber mills need to either: (1) have the capacity to ingest more wood through their production lines, or (2) have the capital to invest in new infrastructure. While total US mill capacity has been increasing over the past decade, the mill utilization rate has dropped to 65% of maximum capacity,[11] likely due to decreased demand for lumber (**figure 1**). Currently, US mills meet 70% of domestic lumber demand.[12] Theoretically, mills could increase their utilization rate to 95–100%, as Executive Order 14223 infers. However, in practice, local market conditions and mill infrastructure will influence the feasibility of this at a regional level.

[8] United States Government Accountability Office. Forest Service: Timber Sales in Fiscal Years 2014-2023. [accessed 2025 May 30]. https://www.gao.gov/products/gao-25-107496.
[9] United States Congressional Research Service. 2021. U.S. Forest Ownership and Management: Background and Issues for Congress. [accessed 2025 May 30]. https://www.congress.gov/crs-product/R46976.
[10] Oswalt SN, Smith WB, Miles PD, Pugh SA. 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: US Department of Agriculture, Forest Service, Washington Office. 97. doi:10.2737/WO-GTR-97.
[11] Wade J. 2025. U.S. Sawmill Production Capacity Constant in 2024. [accessed 2025 May 30]. https://eyeonhousing.org/2025/03/u-s-sawmill-production-capacity-constant-in-2024/.
[12] Howard JL, Liang S. 2018. U.S. timber production, trade, consumption, and price statistics, 1965-2017. Fort Collins, CO: Forest Service Research Data Archive. https://doi.org/10.2737/RDS-2018-0035.

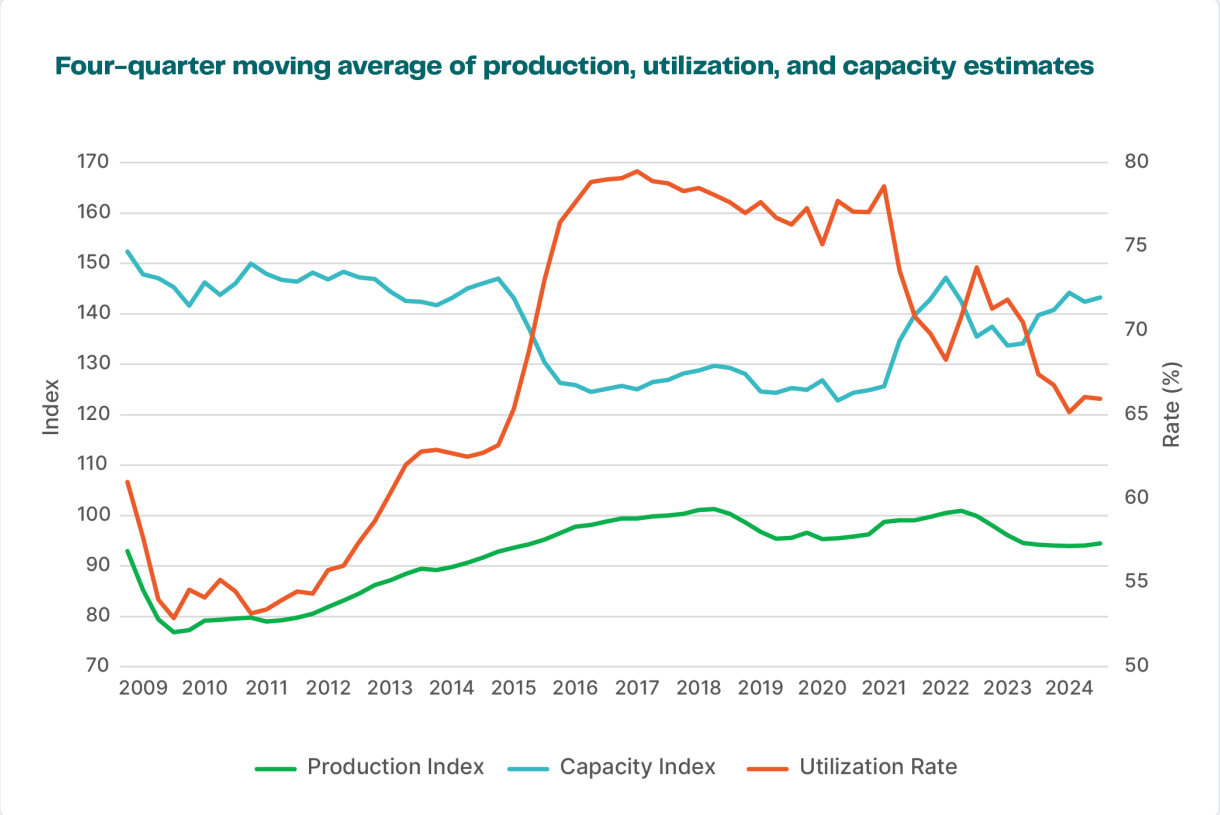


Figure 1. Four-quarter moving average of the United States production index, as reported by the Federal Reserve,[13] and the mill utilization rate, as reported by the Census Bureau.[14] Carbon Direct calculated the capacity index by combining the production index and mill utilization rate. Source: Carbon Direct.

At the global level, some experts have raised concerns[15] about the sustainability impacts of the US onshoring timber production. If domestic-focused policies reduce US demand for timber from overseas sources, this could also reduce incentives for foreign forest managers to maintain international standards for sustainable harvesting practices.

However, the key question for carbon credit buyers remains: to what extent will these Executive Orders affect the quality of nature-based solutions on the VCM and forest carbon projects located in the US?

[13] Federal Reserve Board. 2025. Industrial Production and Capacity Utilization - G.17. [accessed 2025 May 30]. https://www.federalreserve.gov/releases/g17/current/default.htm.
[14] United States Census Bureau. 2024. Quarterly Survey of Plant Capacity Utilization (QPC). Census.gov. [accessed 2025 May 30]. https://www.census.gov/programs-surveys/qpc.html.
[15] Betts MG, Franklin JF, Bukoski JJ, Burivalova Z, Conklin EE, DeLuca TH, Fitch A, Himes A, Panwar R, Sachs H, et al. 2025. Benefits of onshoring forestry rely on science. Science. 388(6746):479–480. doi:10.1126/science.adx4908.

Implications for the VCM and carbon credit quality

These policy shifts may impact forest carbon projects across the VCM, particularly in terms of several of Carbon Direct's *Criteria for High-Quality Carbon Dioxide Removal*,[16] including criteria for additionality, durability, and leakage. Additionality will likely be enhanced for IFM projects, though additionality for ARR projects will likely be unaffected. New risks may emerge regarding durability, and market leakage for IFM projects may increase.

- **Additionality and baselines:** Removals are additional if they would not have occurred without carbon finance. Additionality is evaluated across three aspects: regulatory additionality, financial additionality, and common practice additionality. Common practice additionality is a metric which establishes that a project's activities are not already widespread, financial additionality is a metric which establishes that carbon credit revenues are essential to a project's financial viability, and regulatory additionality is a metric which establishes that the climate benefits associated with a project go beyond what is already required by law or regulation. The baseline of a project is a conservative estimate of the carbon and other greenhouse gas impacts that would have occurred without carbon finance.
- **Durability:** The capacity for stored carbon to withstand reversal, or reemission, to the atmosphere. Carbon Direct uses the term "durability" because it is less absolute than "permanence" and acknowledges the temporal variability inherent to most forms of carbon storage.
- **Leakage:** Economic leakage ("leakage") is the displacement of greenhouse gas emissions from the project site to another geographic location. Economic leakage typically occurs because market demand for the output of the emitting activity is unchanged, while the carbon removal project decreases local supply. There are two forms of economic leakage: activity-shifting and market. Activity-shifting leakage occurs when agents operating within a project boundary shift production to outside of the project boundary. Market leakage occurs when a project reduces the production of a good, and this local reduction induces increased production of that good elsewhere to meet demand. Market leakage can be very difficult to predict and measure.

Increasing demand may boost additionality

Increasing demand for domestically produced timber may enhance the additionality of IFM projects. Most IFM projects are implemented on private lands that are likely to face increased pressure to harvest, which changes baseline assumptions, boosts additionality, and makes carbon revenues an attractive alternative.

While IFM projects on federal land have been explored, success remains limited. American Carbon Registry's (ACR) IFM methodology applies only to non-federal lands, except for lands owned by the

[16] Carbon Direct and Microsoft. 2024. Criteria for High-Quality Carbon Dioxide Removal. [accessed 2025 May 30]. https://www.carbon-direct.com/research-and-reports/criteria-for-high-quality-carbon-dioxide-removal.

federal government where timber rights are held by a non-federal entity. Climate Action Reserve has also documented the challenges in developing projects on US federal land.[17]

This raises questions about how project methodologies account for policy and market shifts, especially when it comes to baseline assumptions. Dynamic baseline methodologies (e.g., Verra's VM0045, ACR's IFM methodology v2.1) are designed to account for policy or market shifts. As regional forest management intensifies to satisfy domestic lumber demand, projects using dynamic baselines would likely estimate increased baseline emissions over time, resulting in higher credit issuance. However, while an increasing number of IFM projects in the US are adopting dynamic baselines, most use static baselines and will likely be unaffected by national policy shifts. New projects using static baselines may show higher common practice additionality when factoring in current federal policy, compared to projects implemented in the past 10-15 years, which would also result in increased credit issuance.

ARR project additionality is unlikely to change significantly. In the US, these projects typically occur on private lands and are more focused on reforestation than on timber production. However, most ARR projects, with either static or dynamic baselines, will control for land ownership and land-use history when making their case for additionality and calculating their baseline. Indirectly, increased afforestation driven by higher timber prices[18] could erode additionality for those ARR projects with commercial harvest components.

Rising stumpage prices may threaten durability

Higher domestic demand for timber would likely increase US stumpage prices and may raise durability risks for IFM projects. Many landowners opt to enroll their forests into carbon projects as an alternative to timber harvest revenue. If stumpage prices continue to rise and the value of carbon credits from IFM projects does not increase, landowners stand to generate more revenue from timber harvesting than from keeping their lands enrolled in carbon projects, potentially even with breach-of-contract penalties factored in. ARR projects that include timber harvesting could see altered harvest schedules if federal policy changes succeed in boosting long-term domestic roundwood and fiber demand.

Increased US stumpage prices could also lower the age of economic maturity for some forests. For ARR projects with commercial harvesting components, this may prompt earlier thinnings or initial commercial harvests to capitalize on elevated stumpage prices. These changes could significantly affect biomass accumulation and potentially delay carbon credit delivery timelines. However, at the other end of a project's lifespan, most ARR projects include post-crediting carbon durability terms that prohibit final harvest activities for a time, helping safeguard long-term carbon storage. Understanding the post-crediting durability term of an ARR project is crucial for determining project quality and potential risk.

[17] Smith G. 2012. Forest Offset Projects on Federal Lands. Climate Action Reserve. [accessed 2025 May 30]. https://climateactionreserve.org/wp-content/uploads/2011/02/Forest_Offset_Projects_on_Federal_Lands.pdf.
[18] Wear DN. 2024 May 22. Effects of Wood Products Markets and Forest Policies on Land Use Change. Resources for the Future Working Paper Series. [accessed 2025 May 30]. https://ideas.repec.org//p/rff/dpaper/dp-24-07.html.

Expanding harvests may increase leakage risks

Increased domestic lumber production may heighten leakage risk for IFM projects in the US, particularly in regions where sawmills are already running near capacity. For IFM projects in these regions, harvest activity may shift to adjacent or less-regulated areas to compensate for rising demand, thereby undermining net emissions benefits. However, for ARR projects, leakage impacts will likely be minimal given the limited connection these projects have to displacement effects.

US timber policy changes may negatively impact international forests. Operators in many countries that export timber to the US have enacted voluntary environmental protections around timber harvesting that are aligned with US and European market standards.[19] Recent studies suggest that strong international demand for certified sustainable wood helps curb deforestation in tropical forests where harvesting pressures are particularly intense.[20] A significant reduction in US timber imports from those countries could reduce incentives for forest managers to maintain those protections, which may marginally weaken or rescind forest sustainability standards abroad.[21]

Technical diligence for forest carbon projects

Technical diligence is a pre-purchase, in-depth assessment of a CDR project.[22] It helps buyers evaluate project quality, identify potential risks, and make informed procurement decisions that are aligned with their broader climate goals. Technical diligence and de-risking become even more important in times of uncertainty.

Not all forest carbon projects in the US are designed in the same way. The US encompasses an extremely diverse landscape, with variable ecological and economic factors that contribute to the unique circumstances around project design and risk. Experienced forest scientists can conduct technical diligence and examine core elements of project design such as additionality, leakage, and durability. Beyond assessing project design, project derisking should also consider factors such as shifting political climates, local market conditions, and other systemic influences on project quality.

Rooted optimism: Balancing new opportunities and risks

Recent policy shifts at the federal level may have significant impacts on timber markets in the US and globally. Harvesting on US federal lands is projected to increase by 25% over the next five

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[19] Depoorter C, Marx A. 2022 Apr 7. Seeing the trees for the forest: Adoption dynamics of the Forest Stewardship Council. Applied Economic Perspectives and Policy. [accessed 2025 June 09]. https://doi.org/10.1002/aepp.13263.

[20] Rana P, Sills EO. 2024. Inviting oversight: Effects of forest certification on deforestation in the Brazilian Amazon. World Development. 173:106418. [accessed 2025 June 09]. doi:https://doi.org/10.1016/j.worlddev.2023.106418.

[21] Betts MG, Franklin JF, Bukoski JJ, Burivalova Z, Conklin EE, DeLuca TH, Fitch A, Himes A, Panwar R, Sachs H, et al. 2025. Benefits of onshoring forestry rely on science. Science. 388(6746):479–480. [accessed 2025 June 09]. doi:10.1126/science.adx4908.

[22] Carbon Direct. 2025 Mar 17. How technical diligence works: Behind the scenes of the world's largest carbon removal deals. [accessed 2025 May 30]. https://www.carbon-direct.com/insights/how-technical-diligence-works-behind-the-scenes-of-the-world-s-largest-carbon-removal-deals.

years. Harvesting on private lands will also likely increase to meet the increased domestic lumber demand stimulated by executive policies.

These changes present both opportunity and risk for forest carbon projects: they may enhance the additionality of IFM projects in the US, which is a positive signal for credit integrity, but they also raise concerns around durability and leakage for some projects. Durability risks could increase if these changes incentivize landowners to harvest early. Leakage rates of some IFM projects may rise if increased US demand displaces harvest activity to less-regulated regions.

It is crucial to thoroughly understand a carbon project's context, including the political and economic forces that act upon it. Carbon Direct helps clients understand these risks to support investments in high-quality forest carbon projects.

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