



September 14, 2021

The Honorable Gavin Newsom, Governor
State of California
State Capitol Building
Sacramento, CA 95814

Position: Request Veto

Location: Governor’s Desk

Re: AB 416 (Kalra) California Deforestation-Free Procurement Act: public works projects: wood and wood products

Dear Governor Newsom,

We the undersigned are writing to respectfully urge your veto on AB 416 which establishes the California Deforestation-Free Procurement Act as amended September 3, 2021.

“Forest-risk Commodities” sweeps in many industries and employees in California

We have concerns about the impact of new reporting burdens on the supply chain and the overly broad scope of the listed ‘Forest-risk Commodities.’ As drafted, any companies providing “Forest-risk Commodities” to California must -- regardless of their source – comply with the bill’s onerous certification process. Because of the breadth of the definition of “Forest-risk Commodities,” this means that broad swaths of procurement contracts will be subject to these new requirements.

Under the bill’s present language, “*Forest-risk commodities include, but are not limited to, palm oil, soy, beef, leather, lumber, paper, rubber, cocoa, coffee, wood, and wood pulp,*” regardless of whether such products are contained in small amounts in a product or are in their raw form. Notably, this definition is also not limited to products that are actually produced in a tropical forest – which further expands the reach of AB 416’s certification requirements.

These requirements will disincentivize participation in the procurement process for many suppliers and drive up costs for the state for the entire range of “forest-risk commodities” and all products that contain them in any amounts.

AB 416 Will Create Impossible Reporting Obligations for Recycled Products and Disincentivize Use

As drafted, the bill requires that all “forest risk commodities” (which includes tires, paper, lumber, furniture, and other items) must prove that they do not contribute to tropical deforestation and prove their source. However, it contains no exception for recycled products, meaning that any supplier who purchases recycled materials as part of their procurement contract would need to prove that such materials were not sourced from a tropical deforestation area. These businesses will be unable to do so. They cannot trace the specific origin of the recycled material past the recycling center, and certainly cannot identify where the good (e.g., paper) was originally sourced from. This vague obligation will disincentivize the use of recycled goods and will contradict the state’s long-term goal of increasing the use of recycled products.

NDPE Requirements Would Oblige Companies to Change Entire Corporate Practice to Accommodate State Contracts – which may be a small percentage of their business

Moreover, the NDPE requirements apply to ALL the company’s products and product lines and their distributors, not just the state contract. Likewise, these requirements must be affirmed on an annual basis or upon request by a state agency. The scope of these requirements and the lack of predictability for both contractors and DGS will result in a considerable increase to regulatory workload and will likely decrease products and vendors willing to participate in the state’s procurement program. Because the bill does not indicate that NDPE reporting requirements ONLY apply to forest-risk commodities that explicitly and directly originate from tropical latitudes, the potential impacts to all forest-risk commodities remains significant.

Cost Impacts and Supply Chain Disruption in Construction and Housing

AB 416 requires data detailing the complete list of direct and indirect suppliers and supply chain traceability information for each forest risk commodity found in products. This reporting requirement, especially when considering the **existing forest certification chain of custody programs**, would create an outsized burden and violation of potentially **proprietary business information** for all companies, including small California-based companies.

During COVID-19 there has been increased demand for new homes and renovations, especially in dimensional lumber and panel products. The competitive market and availability have led to increased prices **three times the average price. This can increase pressure on an already stretched market for growth in construction and especially for low and moderate housing in California.** The US is experiencing a **shortage of lumber** and delays in delivery; this bill will only make the situation worse.

In closing, we note that while some amendments were taken to attempt to limit AB 416's impact on our trading partners, the structure of this measure does not lend itself to dulling those impacts. We firmly believe this measure has **unintended consequences** for many industries, could have an **inverse impact on our current environmental goals** in California, and puts the State of California at **risk** from access to a diverse array of quality products meeting the highest international standards. For these reasons, we respectfully urge **your veto** on this measure.

Sincerely,



Abigail Sztejn
Director, Government Affairs
American Forest & Paper Association



Dawn Koepke
Advocate
California Manufacturers & Technology
Association



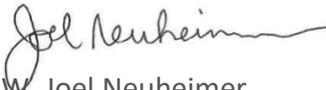
Andrew C. Dodson
Vice President, Government Affairs
American Wood Council



Steve McCarthy
Vice President, Public Policy
California Retailers Association



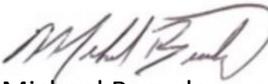
Felipe Fuentes
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W. Joel Neuheimer
Vice President, International Trade,
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Secretary
Forest Products Association of Canada



Timothy Murphy
Advocate
California Builders Alliance



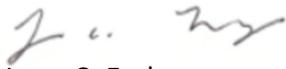
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Natalie Tarini
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West Coast Lumber & Building Material
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cc: Ms. Hazel Miranda, Deputy Legislative Secretary, Governor's Office
Mr. Ted Ryan, Consultant, Department of Finance
Mr. Matt Bender, Department of General Services