TAXPAYERS for COMMON SENSE

November 1, 2021

Re: Notice of Request for Information on USDA's Climate-Smart Agriculture and Forestry Partnership Program, USDA-2021-0010 (Fed. Reg. Vol. 86, No. 187, Sept. 30, 2021, page 54149)

Submitted by: Joshua Sewell, Senior Policy Analyst, Taxpayers for Common Sense

Questions addressed: 1-8

Description of Taxpayers for Common Sense: Taxpayers for Common Sense (TCS) appreciates the opportunity to provide public comment to the U.S. Department of Agriculture (USDA) regarding the proposed Climate-Smart Agriculture and Forestry Partnership Program, which was published at 86 Federal Register 54149 on September 30, 2021.

TCS is a nonpartisan budget watchdog serving the American taxpayer. We support a federal safety net for American farming and ranching businesses, provided tax dollars are invested wisely and efficiently. Federal investments should focus on assisting those farmers and ranchers in need of financial assistance, be directed only at risks that are too costly or complex to manage independent of Washington, and when investments have a tangible, quantifiable impact on achieving critical public resource concerns.

Dear Secretary Vilsack:

We ask that you consider the taxpayer perspective to the following questions from USDA's RFI when considering actions to take regarding climate change resilience and mitigation within the agriculture and forestry sectors:

1. How would existing private sector and state compliance markets for carbon offsets be impacted from this potential federal program?

> Private agribusinesses, states, existing carbon markets, and similar entities and initiatives are already engaging in carbon offset efforts. Companies are beginning to pay farmers to implement practices that sequester carbon, such as no-till, cover crops, and more. USDA should ensure that the federal government's efforts do not replace or duplicate these efforts. Similarly, subsidizing existing carbon sequestration efforts that would be economical without government support would waste taxpayer dollars while failing to achieve additional public benefits.

2. In order to expand markets, what should the scope of the Climate-Smart Agriculture and Forestry Partnership Program be, including in terms of geography, scale, project focus, and project activities supported?

> The federal government's role should not be to expand markets. Pouring more USDA subsidies into an unreformed agricultural safety net through a new carbon bank or other programs may fail to address climate change while exacerbating unintended consequences such as increased

land consolidation and the creation of additional barriers to entry for young, beginning, and/or socially disadvantaged farmers and ranchers.

Instead, federal resources should be targeted toward climate-related outreach and technical assistance for these young, beginning, new, and/or socially disadvantaged farmers and ranchers, in addition to university extension and NGO outreach programs that educate producers about ways to improve climate outcomes while also improving their bottom lines. University extension agents, for instance, are a trusted source of information for farmers and regularly host on-farm trials, workshops, and other sessions that speed the flow of information from researchers to farmers.

Furthermore, the federal government's role should be targeted toward initiatives that the private sector, NGOs, states, and others are not already pursuing or implementing, which may include research, data collection and warehousing, information sharing, and quantifying, monitoring, and measuring agricultural conservation benefits. USDA recently announced initiatives to target Conservation Reserve Program (CRP) payments toward climate outcomes, in addition to $10 million to quantify the soil carbon and climate benefits on CRP acres. Existing initiatives like these should be expanded instead of creating new programs for carbon sequestration, particularly given that expensive soil carbon measurement, monitoring, and verification is still being researched and fine-tuned.

While USDA does not mention the specifics of potential forestry proposals in this RFI, good forest management policies should be pursued within the Department in any future policies or programs as well.

3. In order to expand markets, what types of CSAF project activities should be eligible for funding through the Climate-Smart Agriculture and Forestry Partnership Program? Projects should promote the production of climate-smart commodities and support adoption of CSAF practices.

USDA should reject calls to use the Commodity Credit Corporation (CCC) or other taxpayer resources to create a new carbon bank or similar program. Creating a new program, especially without express Congressional authorization, could result in taxpayer dollars being spent on projects and practices without proper transparency, cost-effectiveness, and accountability measures built in. USDA is already forced to turn away conservation program applicants each year because there is continually more interest in conservation programs than there are federal dollars to support farmers and ranchers seeking to implement these projects and practices.

Focusing investments on existing conservation programs, practices, and policies with the most public benefits will ensure taxpayer dollars are spent wisely and in line with Congressional intent in the lead up to the next farm bill. Several conservation practices already being subsidized by taxpayers within programs such as the Conservation Stewardship Program (CSP), Environmental Quality Incentives Program (EQIP), and Conservation Reserve Program (CRP) help reduce soil erosion, increase carbon sequestration, improve water quality, and protect carbon-rich wetlands, grasslands, and forests all while improving the financial health of farm owners and operators. Lessons learned from these programs should be built upon in the next farm bill by Congress.

However, a new climate smart agriculture program administered by USDA – and funded through the CCC - comes with less assurance that federal investments in climate mitigation will result in real, lasting benefits for producers and the environment. The wide variety of private sector carbon sequestration and other environmental services markets, many still in their infancy, are of varying quality. All of them currently fail to instill confidence in the credibility and durability of their credits. The total amount of carbon sequestered and its duration are dependent on too many factors including soil type, weather, managerial competence, crop choice, and dozens of others. The lack of an accurate, low-cost, credible method for quantifying the amount of carbon sequestered across an individual farm field, let alone between vastly different carbon sequestration markets, is a fatal flaw to federal financing of said markets.

In addition, as was witnessed over the past several years on the use of the CCC for trade war, COVID-19, biofuels infrastructure, and cotton subsidies, CCC funding is too often tapped to satisfy special interests at the expense of less politically connected producers and Congress itself. Specifically, CCC funding has been used to circumvent Congressional prohibitions on taxpayer funding for ethanol blender pumps, in addition to sending a significant amount of taxpayer dollars to producers who do not need federal support. Using the CCC to create programs or projects that last just a year, or a few years, and derive their authority from the Secretary, as opposed to statutes developed with opportunity for full debate by Congress, will fail to provide the stability and predictability producers need to confidently make investments that lead to the long-term change that is necessary to combat climate change.

a. Activities that develop standardized supply chain accounting for carbon-friendly products; activities that provide supply chain traceability; innovative financing for low-carbon fuel from agricultural feedstocks; or green labeling efforts, among others.

Private companies are already working on supply chain traceability and accounting for carbon reductions. The federal government can assist with research and data sharing as necessary, in addition to helping standardize carbon accounting for consistency across federal programs, but this should occur where value can be added instead of duplicating current efforts.

Furthermore, biofuels have already received more than 40 years of government subsidies in the form of loan guarantees, production payments, tax credits, grants, consumption mandates, and more. The industry does not need any more taxpayer support. In fact, biomass and biofuels subsidies do more harm than good for the climate, according to several independent experts. According to the Congressional Budget Office (CBO), "…available evidence suggests that replacing gasoline with corn ethanol has only limited potential for reducing emissions (and some studies indicate that it could increase emissions)." A National Academies of Sciences (NAS) report found that ethanol tax credits actually *increase* GHG emissions – instead of *decreasing* them. Biodiesel tax credits may increase GHG emissions as well, according to NAS. Expanding subsidies for bioenergy will only worsen climate change, the opposite of the President's climate goals.

b. Activities that supply grants, loans, and loan guarantees to producers for equipment needed to implement CSAF practices, or for capital-intensive CSAF technologies;

Agricultural conservation programs already provide support for producers implementing practices that can benefit the climate. These programs should be reformed to prioritize

applicants implementing practices that can improve carbon sequestration, water quality, soil quality, and other public goods. No new grant, loan, or loan guarantee programs are needed for normal costs of doing business, such as farm equipment. Federal investments in research and development as well as deployment of tools to quantify the environmental benefits of conservation practices, including amounts of carbon actually sequestered, may be appropriate, however.

c. Activities that test and evaluate standardized protocols that define eligible CSAF practices, quantification methodologies, and verification requirements, with an emphasis on minimizing transaction costs and operating at scale;

Monitoring and verification of water, soil, air, climate, and other benefits of agricultural conservation programs is already underway at USDA. USDA should continue to collaborate with universities, NGOs, extension agents, and others to build upon this work and ensure it is disseminated in an easily digestible format for producers, groups working with producers on the ground, the public, and taxpayers alike. USDA should provide technical assistance as necessary for projects seeking to quantify and verify carbon sequestration and other climate benefits. However, taxpayers should not be on the hook for subsidizing entities and companies already engaged in these efforts.

d. Activities that evaluate options for tracking climate-smart commodities, including book-and-claim systems and systems to record and register the GHG benefits generated through CSAF practices;

Third party verification can be built into systems that reward producers for certain agricultural practices that benefit the climate. However, the federal government should allow private markets to continue to develop on their own without taxpayer dollars, with related verification, record keeping, and registration. Taxpayers and agricultural producers would be better served if USDA concentrated its efforts on providing the public with increased access to the trove of performance data collected from conservation and farm income subsidy programs, in addition to improving the ability of existing agricultural conservation programs to benefit the climate.

The federal government has a history of failing to properly implement initiatives that require monitoring and verification of land use changes related to the Renewable Fuel Standard (RFS) mandate in particular. After the RFS was enacted, the Environmental Protection Agency (EPA) was tasked with ensuring that new land – such as native grasslands - was not plowed for biofuel feedstock production. However, this provision was not implemented properly in practice, resulting in the conversion of millions of acres of carbon-rich grasslands, forests, and wetlands to corn and soybean production. Instead of benefiting the climate, the RFS has instead promoted the use of first-generation biofuels that may do more harm than good. USDA should learn lessons from the implementation of policies such as these and ensure that past mistakes are not repeated.

e. Activities that generate voluntary carbon offsets through CSAF practices. Within carbon offset markets, the GHG benefit is separated from the commodity and sold as a carbon offset credit. Should the USDA consider hybrid approaches where the GHG benefit could be assigned to a climate-smart commodity, or separated and sold as a voluntary carbon offset?

As USDA acknowledges, the private sector is already engaged in carbon offset markets. If private companies or other entities choose to improve the sustainability of their supply chains for additional market opportunities, then they can bear the cost of doing so. Taxpayers need not subsidize these private markets and/or initiatives. USDA should instead focus on increasing equitable access to farm bill conservation programs that help producers increase their resilience instead of dependence on federal subsidies.

4. In order to expand markets, what entities should be eligible to apply for funding through the Climate-Smart Agriculture and Forestry Partnership Program? Given that the administrative costs of the Climate-Smart Agriculture and Forestry Partnership Program could be high if USDA were to contract with individual producers or landowners, it makes more sense to work with groups of producers and landowners. For example, eligible entities may include an agricultural producer association or other group of producers; State, Tribe, or unit of local government; a farmer cooperative; a carbon offset project developer; an organization or entity with an established history of working cooperatively with producers on agricultural land, as determined by USDA (for example, a non-governmental organization); a conservation district; and an institution of higher education, including cooperative extension;

Agricultural producer associations, private companies, and farmer cooperatives are already engaging with farmers on carbon payments, so the federal government should not distort markets by subsidizing these activities separately from already well-established farm bill conservation programs.

Limited pilot projects – if authorized by Congress - could include funding directed toward university extension agents, NGOs working directly with producers on the ground, or conservation districts to advance the adoption of common sense conservation practices that result in climate benefits. However, many conservation programs, such as the Regional Conservation Partnership Program, are already operating, so new duplicative programs or initiatives should not be created. Funding can instead be targeted and prioritized within existing conservation programs toward projects that deliver not only climate benefits, but also water quality and quantity, soil quality, and other benefits in areas with the greatest resource concerns. These programs are already oversubscribed but benefit from familiarity with producers, NGOs, Natural Resources Conservation Service (NRCS) staff, universities, and others.

5. In order to expand markets, what criteria should be used to evaluate project proposals for receiving funding through the Climate-Smart Agriculture and Forestry Partnership Program?

a. For example, potential criteria may include estimated GHG or carbon sequestration benefits; estimated costs; potential for addressing identified barriers for producers; ability to benefit underserved producers and early adopters; environmental justice benefits; and demonstrated capability to ensure success.

Rewarding agricultural producers for sequestering carbon and reducing GHG emissions is already something taxpayers subsidize through farm bill conservation programs. As discussed above, USDA's past efforts to target these program payments toward carbon sequestration and related climate benefits should be expanded upon, in coordination with Congress in the next farm bill debate. Payment limitations should be reduced and specific carve-outs for livestock in EQIP, for instance, should be eliminated so taxpayer dollars can reach more producers and result in greater public benefits at a lower cost to taxpayers. Competitive bidding and paying for

additional conservation practices are just a few ways that taxpayer dollars can be stretched to help more producers. Setting aside a certain funding percentage for underserved producers is one option, but if the majority of farm income subsidies continues to benefit large producers, some of whom do not need taxpayer support, then beginning, small, young, new, and/or underserved producers will continue to be crowded out of markets and federal programs.

Future federal investments in conservation programs should be prioritized on the programs most likely to achieve measurable outcomes efficiently, equitably, and substantially. Programs that subsidize normal costs of doing business should be ended so taxpayer resources can instead be targeted at the programs and projects with the best return on investment and most environmental and climate benefits.

b. Should USDA establish a consistent payment per ton of GHG generated through these partnership projects as part of the project payment structure, or evaluate a range of incentive options?

The federal government should not intervene in private markets or attempt to create new markets. USDA can provide technical assistance and coordinate research on this topic, as necessary, in coordination with entities engaging in these markets. Substantial and durable increases in agricultural carbon sequestration, and other resource concerns, is more likely to occur by reforming, prioritizing, and funding existing farm bill conservation programs.

6. In order to expand markets, which CSAF practices should be eligible for inclusion?

Instead of taking steps that may distort private markets, USDA should work with Congress to focus on ways to integrate climate-beneficial conservation practices into existing farm safety net programs and eliminate subsidies that increase risk at taxpayer expense, including subsidizing crop insurance policies in risk-prone areas or on carbon-rich, sensitive land. USDA should also effectively implement and enforce existing policies that aim to conserve land, reduce soil erosion, protect wildlife habitat, and improve water quality such as Sodbuster, Swampbuster, and highly erodible land protections. In other words, USDA should work with Congress on reforming the existing farm safety net instead of adding more layers to the ever-growing subsidy sandwich, which may do more harm than good for the climate.

a. What systems for quantification and key metrics should be used to assess the benefits of projects funded through the Climate-Smart Agriculture and Forestry Partnership Program?

See #5 above. In addition, the quantification, verification, monitoring, and reporting of the benefits of existing agricultural conservation programs can be improved. No new programs should be created for carbon offsets, carbon sequestration, or others that are not yet well understood or quantifiable. USDA should work with partners to better understand the potential of these benefits, in addition to the challenges of measuring soil carbon, for instance, before proposing to subsidize practices that may not result in additional, lasting climate and taxpayer benefits.

b. What should the quantification, monitoring, reporting, and verification requirements for projects funded through the Climate-Smart Agriculture and Forestry Partnership Program be?

See above.

c. What types of systems should be used or supported to track participation, implementation, and potential benefits generated?

> This type of information for existing agricultural conservation programs should be easily understandable and accessible to the public on USDA's website. Not all conservation programs or practices provide the same level of benefit to producers or taxpayers. USDA should build on past efforts to quantify the impact that voluntary conservation programs and practices have on both conservation goals and the bottom lines of farm businesses. Creation of a data warehouse to provide access to taxpayer-funded data on program performance and procedures for accessing this data would help facilitate this research. Increased investment in tools to monitor, measure, and model these practices in real world settings is also important.

d. What types of data and metrics should be collected and reported to determine project success and GHG benefits delivered? How should the data and metrics be analyzed to inform future decisions?

> Carbon sequestration, GHG, water quality, and soil health monitoring before and after the implementation of agricultural conservation practices is a way to quantify the benefits of taxpayer investment in cover crops, grassed buffers, no-till, and other conservation measures. This data should inform future investment decisions in which types of practices deliver the most benefits for the climate, taxpayers, the public, and producers themselves. Those practices with the greater return on investment should be prioritized within future program funding decisions, which has an added benefit of spreading conservation dollars to more producers as well when the additional, cost-effective practices receive taxpayer funding. This information should be easily available to the public, taxpayers, researchers, and producers alike.

7. How should ownership of potential GHG benefits that may be generated be managed?

> USDA should not create a carbon bank or similar GHG benefit market, nor should it subsidize private-sector markets. Providing easily accessible information about ag conservation programs – and their quantifiable benefits including GHG reduction - should instead be the focus.

8. How can USDA ensure that partnership projects are equitable and strive to include a wide range of landowners and producers?

> If USDA provides large subsidies to producers, agribusinesses, or others, existing disparities in the distribution of agricultural subsidy payments will be exacerbated, in addition to related unintended consequences. This would crowd out opportunities for small, beginning, and socially disadvantaged communities, not to mention historically underserved communities. Federal resources should instead be targeted at existing conservation programs and regional partnerships that have proven benefits for producers, the climate, and taxpayers alike, alongside common sense reforms such as more accountable payment limits and income limitations and other recommendations mentioned above.
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> Furthermore, improved transparency and accountability in USDA programs would help ensure that the benefits of climate-smart agriculture and forestry practices are communicated to all landowners, producers, and communities and can be better implemented, leading to financial and climate resilience. USDA currently houses a significant amount of information on

conservation practices, their environmental and climate benefits, and ways to ensure their long-term success, not to mention agriculture subsidy payments. USDA's wealth of data on the interplay between on-farm conservation practices, crop yields, and safety net programs should be more transparent and accessible to the public. This data, spread across the Natural Resources Conservation Service, Risk Management Agency, Farm Service Administration, and others can provide valuable insights into conservation practices and their effect on farm profitability, yet most of this data is effectively off limits to researchers and farmers. USDA should create a data warehouse with procedures for granting access to this valuable taxpayer-funded resource that is mindful of data privacy. Researchers, state agricultural agents, and producers should not have to go it alone when trying to improve the financial and environmental performance of their operations.

a. How can the Climate-Smart Agriculture and Forestry Partnership Program include early adopters of CSAF practices?

The private market already rewards some producers for their past conservation efforts, the Conservation Stewardship Program (CSP) provides payments for similar measures, and some carbon markets are rewarding producers for past conservation practices that sequester carbon such as no-till, cover crops, etc. The federal government should focus on ways to ensure that existing disparities in the distribution of federal farm subsidies are not exacerbated by any new USDA program, or that new subsidies are not distributed for agricultural practices that do little, if anything, to benefit the climate, which would only further place early conservation adopters at a disadvantage.

b. How can the Climate-Smart Agriculture and Forestry Partnership Program be designed to ensure that benefits flow to historically underserved producers?

USDA has a history of weakening payment limitations and adjusted gross income caps enacted by Congress, which has led to greater waste, fraud, and abuse in agriculture subsidy programs. USDA should strengthen these regulations and work with Congress to increase accountability and equity in farm safety net programs in the next farm bill. In addition to other recommendations listed above, federal outreach and technical assistance related to climate-smart agriculture and forestry should be prioritized toward young, beginning, new, and/or socially disadvantaged farmers and ranchers.

c. How can the Climate-Smart Agriculture and Forestry Partnership Program be designed to ensure that benefits flow to historically underserved communities?

See related question above.

d. How can the Climate-Smart Agriculture and Forestry Partnership Program be designed to ensure that benefits are provided to producers?

USDA should generally work to improve efficiency, effectiveness, accountability, equity, and transparency in existing ag conservation programs rather than creating new programs that may only add more bureaucracy with little to no producer, climate, or taxpayer benefits.

Several USDA programs have subsidized large agribusinesses and corporations in the past, in addition to large farmers and ranchers (or simply landowners) who do not need taxpayer support. As much as possible, USDA should prioritize taxpayer dollars in existing programs toward actual producers who require assistance during real times of need and are disadvantaged due to market failures rather than sending subsidy checks to non-farmers or those who do not need government support. USDA should refrain from subsidizing current private sector carbon market efforts that are already operating, which could line the pockets of corporate interests at the expense of producers.

Forestry

Unlike USDA's previous Notice of Request for Public Comment on the Executive Order on Tackling the Climate Crisis at Home and Abroad, which was released in March 2021, USDA's current RFI fails to mention ways that carbon can be sequestered through the forest sector. In response to USDA's previous question about reducing wildfire risk fueled by climate change, our comments indicated that "decreasing harvest of mature and old growth forests… will increase the ability of forests to act as carbon sinks, and it will also reduce wildfire costs and risks." Our previous comments also recommended that USDA lead by example and implement climate-smart policies when it comes to forest management. Specifically, we wrote that "The United States Forest Service (USFS) under the jurisdiction of USDA has the opportunity to use our national forest lands to cost-effectively decrease the devastating impacts of climate change. Policymakers can enable our national forests to capture significant amounts of carbon emissions by doing little more than allowing them to exist undisturbed." USDA should take these comments into account for the current RFI as well.

Conclusion

Thank you again for the opportunity to comment on USDA's proposed Climate-Smart Agriculture and Forestry Partnership Program. We urge USDA to take advantage of opportunities to improve the cost-effectiveness, accountability, transparency, and responsiveness of the current federal farm safety net, as outlined above, which will benefit taxpayers, the climate, and the environment alike. Please contact us if you have any questions.

Sincerely,

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