

**Committee on Agriculture
U.S. House of Representatives
Biographical Form**

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If you are responding on behalf of an organization, please list the capacity in which you are representing that organization, including any office or elected position you hold or if you are a volunteer.

Elected President of the National Association of Conservation Districts

Part I: Carbon Reduction Program Design

- 1) Members of Congress have introduced numerous bills to address the wide spectrum of climate change issues. Do you think Congress should enact a program that uses carbon taxes/fees, a cap-and-trade program, or a hybrid of these two approaches? Why?

Please respond in 600 words or less.

NACD has not developed policy regarding either a cap-and-trade program or a carbon tax to address climate change issues, but our membership is discussing the Association's position and will likely provide more specific direction during our July 2009 Board Meeting.

- 2) Should the agriculture and forestry sectors be covered under a carbon reduction program? Why or why not?

Please respond in 300 words or less.

NACD believes that if Congress passes legislation to address climate change, there should be an opportunity for the agriculture and forestry sectors to provide off-set credits. As minor sources of greenhouse gases, agriculture and forestry should not be covered entities under a carbon reduction program.

- 3) If a cap-and-trade program is chosen, how should emission allowances be distributed? For example, should they be at no cost, auctioned, or a combination of both? How should Congress prioritize the distribution of available allowances? Should allowances for the agricultural and forestry sectors be allocated at no cost, if so, should there be a limit on the number of no-cost allowances?

Please respond in 600 words or less.

A certain number of allowances should be provided to the US Department of Agriculture to provide assistance to early actors in carbon sequestration and other greenhouse gas emission mitigation efforts, and to assist with research into new practice standards and adaptation efforts (research, etc)

- 4) Should a cap-and-trade program or a carbon tax/fee program be linked to existing or emerging U.S. regional or other carbon reduction programs (i.e. RGGI or individual state programs)? If so, which programs and why?

Please respond in 600 words or less.

Yes, a federal program should allow existing carbon reduction programs to participate, if they meet or exceed the federal standards.

- 5) If a cap-and-trade program is established, should an existing government agency regulate it or should a new agency be created? Please explain.

Please respond in 300 words or less.

The US Department of Agriculture should be charged with the development and oversight of agriculture and forestry practices eligible for greenhouse gas mitigation through an offsets program. The Natural Resource Conservation Service should provide assistance in developing appropriate practice standards for carbon sequestration. The Office of Ecosystem Services and Markets, recently established at USDA after the 2008 Farm Bill, could coordinate these efforts based on the mission established in the Farm Bill.

- 6) If a derivatives or futures market in carbon reduction arises in the wake of the creation of a cap-and-trade program, should the Commodity Futures Trading Commission (CFTC) continue its role as the regulator of this derivative carbon market, or should there be a different regulator? Please explain.

Please respond in 300 words or less.

- 7) Currently, derivatives of energy-based commodities can be traded through: a) highly structured instruments on regulated, transparent futures markets accessible to anybody and anyone; b) flexible instruments on lightly regulated, transparent derivative markets accessible to only major market participants, or; c) flexible instruments on unregulated, opaque over-the-counter markets accessible only to major market participants.

Should derivatives markets in carbon reduction arising in the wake of the creation of a cap-and-trade program also be permitted to develop under similar options as for energy-based commodities?

Please respond in 600 words or less.

- 8) Will enactment of a carbon reduction program have negative impacts for regions or populations whose welfare is of special interest to the agriculture community? Such groups could include: residents of rural areas; populations served by USDA nutrition programs; agricultural producers and forest landowners; or input, transportation, and processing sectors of agriculture and forest products.

Please respond in 600 words or less.

NACD believes there is a potential for increased utility, agricultural input and transportation costs as a result of a carbon reduction program and recommends a robust offset program to mitigate some of those increased costs to agriculture and forestry. (We would also expect, but cannot quantify, similar increased costs to other rural residents and economic impacts to rural communities; and possible increased food prices and increased federal spending on nutrition programs)

- 9) How might revenue generated under a carbon reduction program be best used to offset any negative impacts?

Please respond in 300 words or less.

With regard to agriculture and forestry, we recommend an off-set program to allow agricultural producers and forest landowners to receive payments for their carbon credits or

greenhouse gas mitigation efforts. These payments would assist in off-setting any increased costs or negative impacts associated with a carbon reduction program. Investment should also be made into research for new technologies and adaptation strategies for forestry and agriculture.

- 10) Should businesses that are affected (either indirectly or directly) by higher overall costs due to a carbon reduction program receive transitional assistance?

Please respond in 300 words or less.

Producers and forest landowners should have the option of participating in a robust offset program. Allocation of allowances should also assist in addressing increased costs, if provided in a manner that transitions over time.

- 11) What role should public lands play in helping to sequester carbon and/or reduce greenhouse gas emissions?

Please respond in 300 words or less.

Yes, we believe there is a potential role for public lands. There might be an opportunity to include public land restoration and subsequent carbon sequestration into a strategic reserve. This strategic reserve would be available if there is a natural disaster or other adverse impact that is beyond the control of the producer or forest landowner's control.

- 12) Should carbon prices be determined exclusively by market forces or should limits on carbon prices be established? Please explain.

Please respond in 600 words or less.

Carbon prices should primarily be determined by market forces; however a base cost (floor) should be established.

- 13) What, if any, lessons can be learned from the European Union's Emission Trading System (ETS) or any other carbon reduction program already underway or being developed? Do any international carbon reduction programs currently exist for agriculture and forestry?

Please respond in 600 words or less.

Part II: Carbon Reduction Program Administration and Implementation

The administration and implementation of an offset or allowance program will be a major topic during any potential climate change discussion. Please answer the following questions regarding the scale, scope, and limitations of any program as part of the larger carbon reduction debate.

- 14) What options or combination of options would be most effective for agriculture and forestry sectors in a carbon reduction program: a voluntary offset program, bonus allowances for selected

agriculture and forestry activities, or agreed upon performance standards for segments of the agriculture and forestry sectors?

Please respond in 600 words or less.

A combination of a voluntary offset program based on practice standards and allowances for agricultural activities. For landowners that do not have an operation of sufficient size to participate in an offset program, a beyond offsets incentive based program should be included to undertake carbon sequestration efforts to reduce land fragmentation and allow landowners to stay in the agriculture/forestry business.

15) Should the total number of offsets issued annually by the government be limited? If so, how much?

Please respond in 300 words or less.

In general we believe the overall number of off-sets should not be limited, but the source of the offsets should be restricted to ensure a majority come from domestic sources.

16) How should Congress prioritize the distribution of available offsets (who gets them and how much)?

Please respond in 600 words or less.

Free Market

17) What should the criteria be for measuring (quantification, verification, and monitoring) and accounting for the legitimacy of offsets under the program?

Please respond in 600 words or less.

There should be verification of contracts and NACD would recommend the CCX model of 10 percent of contracts. The quantification of emission reductions should be established based on conservation practice criteria established by USDA taking into account practice, soil type, moisture, etc.

18) What should be the criteria for assessing offset projects?

Please respond in 300 words or less.

NRCS should establish practice standards for carbon sequestration efforts and the mitigation of greenhouse gases. These standards should be based on models such as Comet-VR and similar assessments and not field by field sequestration tests for each specific project.

19) How should Congress design a system for verifying offset projects?

Please respond in 300 words or less.

A system for verifying offset projects should ensure that third-party verification of reported amounts of carbon should be completed before they are registered for offset credits

Under CCX practices today, verification is undertaken on about 10% of contracts, and carbon content is measured. Land is also inspected to verify that proper management practices are being performed by the landowner that holds the credit. Rates of carbon sequestration in the U.S. generally range from 0.2 to 0.6 metric tons per acre per year for conservation tillage, grasslands are at a rate around 1.0 metric ton per acre per year, and forestry is generally higher than 1.0 metric ton per acre per year.

As carbon credit markets form and climate change legislation is considered, it is essential that one set of standards for carbon sequestration be established that can be applied universally. The United States Department of Agriculture's Natural Resource Conservation Service (NRCS) worked with CCX in setting up the pilot agricultural carbon offset program and provided the standards for BMP's that also sequester carbon. Verifiers utilize NRCS practice standards in performing verification; standards which are science based and have a longstanding acceptance.

Conservation districts are well situated to perform verification functions. Landowners often have working relationships from previous conservation work with their local conservation district staff. This trusted relationship, combined with the conservation district's technical expertise and familiarity with NRCS practice standards to perform soil samples makes conservation districts a logical local resource for carbon credit

- 20) Should Congress establish a standards-based approach with pre-calculated values or a project-based approach that measures field results for establishing eligible offsets under the program?
Please respond in 600 words or less.

Practice standards should be utilized for established eligible offsets under the program. As verification efforts and new research provide additional information on sequestration levels, these practice standards should be reviewed and updated.

- 21) What should be the relationship between offsets and allowances?
Please respond in 600 words or less.

There should be a separate relationship and a covered entity should be allowed to utilize both allowances and offset credits. As available allowances decrease over time, we would expect the use of offset credits to increase.

- 22) Describe the most important factors in establishing the permanence and duration of offsets under the program, including contract length and flexibility?

Please respond in 300 words or less.

We recommend a contract length of 5-10 year contract for agriculture. Contracts should vary over geographic areas and crop type, but we don't expect a producer would be able to enter into a contract beyond that timeframe. Forestry contracts may extend for a longer term.

- 23) How should Congress address existing offset projects or credits established through a voluntary market or system (e.g., the Chicago Climate Exchange or an emission registry)?

Please respond in 600 words or less.

Existing offset projects and program should be included in a voluntary system if they meet or exceed the standards and protocols set under a new program.

- 24) The terms "additionality" and "stackability" are often used when discussing the details of an offset program. How should producers and forest landowners who may have been early-actors and already undertaken activities that sequester carbon or reduce greenhouse gas emissions be treated? Should activities undertaken to reduce carbon emissions also be allowed to count towards other environmental market activities, such as water quality or wildlife habitat creation, therefore allowing landowners to "stack" credits?

Please respond in 600 words or less.

Projects participating in a greenhouse gas offset market should not be excluded from also participating in other markets for environmental services that currently exist or may arise in the future. Allowing producers to "stack" credits will maximize the economic viability of carbon sequestration and manure management projects, ensuring more projects are undertaken and synergies with other environmental priorities are developed. Early actors should be allowed to participate according to an established baseline date.

- 25) How should activities that may have been paid for in part by assistance from Federal or state government programs (i.e. cost share, technical assistance) be treated? How should those activities be treated if the practice was not specifically implemented to address carbon sequestration or greenhouse gas emission reduction?

Please respond in 300 words or less.

All greenhouse gas emission reduction efforts and carbon sequestration should be eligible to participate, regardless of whether or not the project received assistance from the federal or state government.

- 26) Should a producer be required to return revenue or be held liable if an offset project does not sequester carbon or reduce greenhouse gas emissions? How about in the event of a natural disaster or another event uncontrolled by the producer and/or landowner?

Please respond in 300 words or less.

Yes, the contract holder should be liable if they do not honor the stipulations of the contract. However there should be appropriate exceptions for wildfires, hurricanes and other natural disasters that are outside the control of the contract holder.

- 27) Should the protocols and procedures for the offset program be detailed in legislation, or should authority be delegated to the appropriate government agency to develop regulations? If so, which agency or agencies should be responsible for devising protocols and procedures?

Please respond in 300 words or less.

USDA should develop practice standards, protocols and procedures addressing agriculture and forestry practices and projects.

- 28) What are the obstacles faced by agricultural producers and landowners to implement practices and technologies?

Please respond in 600 words or less.

NACD believes the obstacles to adopting practices and implementing technologies is generally a factor of understanding about the practice as associated costs. Education efforts and technical assistance to assist in undertaking new practices and understanding new technologies is essential for producers and landowners to take action.

- 29) Do existing conservation and forestry programs provide sufficient incentives to encourage the adoption and implementation of practices that mitigate climate change impacts, sequester carbon and/or reduce greenhouse gas emissions? If not, what might Congress consider offering as additional financial incentives and technical assistance to speed up adoption/implementation?

Please respond in 300 words or less.

No, existing conservation and forestry programs do not provide sufficient incentives. To secure the carbon sequestration and storage capacity of our forests, we must support and expand policies and programs that keep our forests as forests by slowing their conversion to non-forest uses and encouraging sustainable forest management. Incentive programs should adopt different project design guidelines than offset markets, but should be focused on climate mitigation activities. This enhanced flexibility should be used to incubate innovative forest carbon activities and otherwise increase opportunities for landowners to participate.

Part III: Carbon Reduction Program Additional Thoughts

Please use the next 1000 words to provide additional comments on subjects which may not be have covered by the questionnaire, such as a low-carbon fuel standard, life-cycle analysis, leakage, or biofuel incentives.

As Congress considers a market-based, cap and trade approach to climate change legislation, it is important that the potential contributions from the agriculture and forestry sectors are considered. Certain conservation practices in agriculture and forestry

have demonstrated abilities to sequester atmospheric carbon. In order to ensure agriculture and forestry are included in climate legislation, an understanding of the process by which producers and landowners can participate is necessary to facilitating landowner participation in carbon markets

Agriculture producers that utilize conservation tillage farming practices for row crops sequester atmospheric carbon. Such practices as no-till and strip-till significantly reduce soil disturbance, leaving carbon sequestered by plant material residue that is left on fields to decay into organic matter. This process leaves carbon in the ground for many years. Grazing and rangeland management can also promote carbon sequestration utilizing the same ecological process. Rangeland grasses, shrubs and forbs place carbon in the soil through natural growth and decay cycles.

Livestock operators can also qualify for carbon credits for the capture of methane. By utilizing manure management practices and methane capture technology such as methane digesters, livestock operations can prevent methane emissions that would have otherwise been emitted to the atmosphere. Captured methane is combusted, and the avoided atmospheric release is eligible for offset credits. Offset credits for avoided methane emissions are determined by such factors as the baseline manure management system, average livestock population, and methane content of recovered gas.

Forestland owners and managers can utilize forestry BMPs that sequester carbon in plant material. By actively managing forests through sustainable silviculture, thinning and harvesting, continued forest growth is promoted and capacity for carbon storage is increased. Certification of sustainable practices by a third party is often required. Forest carbon credits can also be generated by afforestation projects that create newly forested land.

Many current Farm Bill conservation programs such as the Environmental Quality Incentives Program, the Wildlife Habitat Incentives Program and the Conservation Reserve Program promote conservation practices that also provide carbon sequestration benefits. As climate change legislation is developed, it is important to consider the current benefits of these programs and that carbon credits they generate qualify under a cap and trade system.

Carbon credits created from agriculture and forestry practices are realized from different types of land. Differences in land use, acreage size, carbon sequestration potential, and soil types are all factors that must be considered and that require a process to create parity.

In order to produce a unit of carbon that is uniformly tradable as an offset, it is necessary to combine credits into bundles in a process known as aggregation. The aggregation of credits is performed by neutral, third-party aggregators for a fee and creates a unit of exchange which can then be placed on a carbon credit market like the Chicago Climate Exchange (CCX).

By CCX's standards, units constituting less than 10,000 metric tons of carbon must be aggregated before becoming eligible for trading. Landowners sign contracts with aggregators to perform carbon sequestering activities through agriculture and forestry practices. Contracts are then combined by aggregators into standard units to meet tradable thresholds. Aggregators can also contract with producers to serve as administrative and trading representatives, and to pay for third party carbon sequestration verification.

Upon a producer or landowner enrolling land for trading, verification must be performed. This process is typically performed at least once per year to ensure that practices are being performed by contract specifications and that measurable carbon is being sequestered. Soil samples are taken from a specified percentage of enrolled acreage, generally at least 10% of contracts, and carbon content is measured. Land is also inspected to verify that proper management practices are being performed by the landowner that holds the credit. Rates of carbon sequestration in the U.S. generally range from 0.2 to 0.6 metric tons per acre per year for conservation tillage, grasslands are at a rate around 1.0 metric ton per acre per year, and forestry is generally higher than 1.0 metric ton per acre per year. Because rates of carbon sequestration vary depending on geographic location, local soil types and the conservation practice employed, carbon verification is performed by local soil standards to determine sequestration rates.

As carbon credit markets form and climate change legislation is considered, it is essential that one set of standards for carbon sequestration be adopted that can be applied universally. The United States Department of Agriculture's Natural Resource Conservation Service (NRCS) worked with CCX in setting up the pilot agricultural carbon offset program and provided the standards for BMP's that also sequester carbon. Verifiers utilize NRCS practice standards in performing verification; standards which are science based and have a longstanding acceptance.

Conservation districts are well situated to perform verification function. Landowners often have working relationships from previous conservation work with their local conservation district staff. This trusted relationship, combined with the conservation district's technical expertise and familiarity with NRCS practice standards to perform soil samples makes conservation districts a logical local resource for carbon credit verification.

Costs for aggregation and verification are paid by producers through fees on carbon credit contracts. Fees vary depending on the location of the producer and such factors as the size and proximity of tracts of land that are enrolled. Smaller, more dispersed tracts of land typically incur greater costs than larger, contiguous tracts. This is attributed to greater amounts of time and work required to aggregate multiple small contracts, as well as time and work involved to locate and verify carbon sequestered. Aggregators and verifiers are also required to manage risk by maintaining liability insurance, a standard practice in financial markets. Average verification costs in states in which conservation districts are involved in carbon trading range from \$40 – \$70 per contract.

Under current markets such as CCX, producers that enroll lands are paid annually at a standardized rate for carbon per acre and must contract for a minimum of 5 years for conservation tillage, 15 years for sustainable forestry practices and 100 years for harvested wood products. Payment is made to producers for carbon contracts by the aggregator as credits are sold on the carbon market.