Sustainability Committee
Report to NGFA Board of Directors
September 2024

I. Key Issues

A. Committee Transition

B. Addressing Climate Policy and Sustainability Initiatives

C. Sustainability Communications

II. Committee Activities

A. Committee Transition: Pursuant to the approval by the Board of Directors of recommendations made by the Committee Structure Task Force, the Climate Change and Sustainability Task Force transitioned to become the Sustainability Committee. The inaugural meeting of the committee was held in March at the NGFA Annual Convention in Orlando. To better engage committee members and address relevant topics, the following committee work groups have been established: 1) Policy; 2) Protocols and Standards; and 3) Communications. The work groups and full committee have conducted multiple virtual meetings since March. The full committee will conduct its second in-person meeting on Oct. 24.

B. Climate Policy and Sustainability Initiatives

- **40B Sustainable Aviation Fuel Tax Credit:** The U.S. Department of the Treasury and Internal Revenue Service on April 30 released guidance on the Sustainable Aviation Fuel (SAF) Credit established by the Inflation Reduction Act (IRA).

  The IRA Section 40B tax credit incentivizes production of SAF that achieves a lifecycle greenhouse gas (GHG) reduction of at least 50 percent when compared to petroleum-based jet fuels. The tax credit starts at $1.25 per gallon for SAF that achieves a 50 percent GHG reduction, with an additional $0.01 per gallon available for each percentage point the reduction exceeds 50 percent, amounting to a maximum possible credit of $1.75 per gallon. Section 40B provides that the tax credit applies to qualifying SAF sold or used after December 31, 2022 and prior to January 1, 2025.

  The Treasury guidance, on a pilot basis, incorporates a U.S. Department of Agriculture (USDA) pilot program to encourage the use of certain climate-smart agriculture (CSA) practices for SAF feedstocks. For the corn ethanol-to-jet pathway, the pilot provides a GHG reduction credit if corn is produced using a "bundle" of certain CSA practices – no-till, cover crop, and enhanced efficiency nitrogen fertilizer. Similarly, a GHG reduction credit for the soybean-to-jet pathway is provided if soybeans are produced using both no-till and cover crops.

- **45Z Clean Fuel Production Tax Credits:** Section 45Z of the IRA replaces the 40B credit, as well as other credits for different types of fuels, by providing a tax credit for domestic production of both SAF and non-SAF transportation fuels with zero or low GHG emissions. The section establishes a transferable tax credit starting in 2025 and extending through 2027 (based on current law) for producers of clean transportation fuels, including ethanol facilities. "Clean" transportation fuel is defined to mean fuel that has a carbon intensity (CI), kilograms of carbon dioxide equivalent per one million British thermal units of energy, of no more than 50. For fuel producers that satisfy the section's prevailing wage and apprenticeship requirements, the maximum credit amount is $1.00 per gallon for non-SAF fuel and $1.75 per gallon for SAF. The IRA directs regulations and guidance to implement the tax credit be issued by Jan. 1, 2025.

For ethanol facilities, qualification for the tax credit is determined by reductions in the CI of ethanol below the baseline of 50, with each reduction of one CI point being worth a maximum of 2 cents per gallon. Ways to reduce the CI of ethanol include increasing the capture and storage of carbon dioxide, use of renewable natural gas, combined heat and power (cogeneration) systems, and use of low CI corn feedstocks. If the CI of ethanol is reduced to below 50 due to use of low CI corn, the maximum tax credit value to an ethanol plant for the low CI corn is estimated to be about 5.4 cents per bushel per point of CI reduction. Based on modeling, about 50 percent of the CI of corn-based ethanol is attributed to corn, which has a CI of about 29.

- **NGFA Comments to USDA on Climate-Smart Agriculture Practices used During Production of Biofuels Feedstocks:** On July 25, NGFA submitted a statement in response to USDA's request for information concerning procedures for the quantification, reporting, and verification of the effect of climate-smart farming practices on the GHG emissions associated with the production of domestic agricultural commodities used as biofuel feedstocks. When announcing the request, USDA said feedback received would be considered as the Department works to establish voluntary standards for biofuel feedstocks grown with practices that mitigate GHG emissions and/or sequester soil carbon. Although USDA's request did not specifically mention the Section 45Z tax credit currently under development by the Treasury, feedback provided to USDA will likely help shape how the 45Z credit is designed. Among other things, NGFA in the statement recommended that USDA within its standards: 1) avoid the arbitrary bundling of climate-smart practices when quantifying GHG emission outcomes; 2) allow farmers to market climate smart commodities to all entities within the value chain; and 3) provide for mass balance accounting of commodities.

- **USDA Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program:** USDA on May 28 requested information on protocols to consider for use within its new Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program. The program is authorized under the NGFA-supported Growing Climate Solutions Act, signed into law with the Consolidated Appropriations Act of 2023. Through the program, USDA will: 1) recognize protocols related to voluntary carbon markets; 2) provide information on qualified Technical Assistance Providers; and 3) list qualified Third-Party Verifiers, who can assess whether carbon projects correctly follow recognized carbon-related protocols. On Aug. 13, USDA published a notice requesting nominations for individuals to serve on an Advisory Council to assist with implementation of the program. USDA previously has stated that it intends to formalize the program by the end of 2024.

- **Food and Agriculture Climate Alliance:** NGFA is a general member of the Food and Agriculture Climate Alliance (FACA). FACA consists of more than 80 organizations representing farmers, ranchers, agribusinesses, state governments, and environmental advocates. FACA conducts monthly calls for information sharing and has been engaged in reviewing and providing recommendations related to climate policies associated with the Farm Bill, food loss and waste reduction, and the Commodity Futures Trading Commission's draft guidance regarding the listing for trading of voluntary carbon credit derivative contracts.

C. **Sustainability Communications:** In addition to timely communications on policy-related issues, the committee has recommended that relevant sustainability information be communicated to NGFA members on a routine basis. To kick-off these communications, the Aug. 9 edition of the NGFA Newsletter included a committee spotlight article about the Sustainability Committee. Among the other recommended topics to be communicated are sustainability drivers, common terminology, widely accepted protocols and standards, and value chain implications.

III. Issues for Discussion

- Are there other climate-related policy issues in which NGFA should engage?
- What types of sustainability information should NGFA consider communicating to members?