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Submitted electronically via www.regulations.gov

July 25, 2024

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Director of Office of Energy and Environmental Policy
U.S. Department of Agriculture
Room 112-A, Whitten Federal Building
1400 Independence Avenue SW
Washington, DC 20250-3810

RE: Docket No. USDA–2024–0003; Procedures for Quantification, Reporting, and Verification of Greenhouse Gas Emissions Associated With the Production of Domestic Agricultural Commodities Used as Biofuel Feedstocks; Request for Information

The National Grain and Feed Association (NGFA) appreciates the opportunity to submit this statement in response to the U.S. Department of Agriculture (USDA) request for public input on procedures for the quantification, reporting, and verification of the effect of climate-smart farming practices on the greenhouse gas (GHG) net emissions estimates associated with the production of domestic agricultural commodities used as biofuel feedstocks.

The NGFA, established in 1896, consists of grain, feed, processing, exporting and other grain-related companies that operate facilities handling U.S. grains and oilseeds. Its membership includes grain elevators; feed and feed ingredient manufacturers; biofuels companies; grain and oilseed processors and millers; exporters; livestock and poultry integrators; and associated firms that provide goods and services to the nation's grain, feed and processing industry. NGFA consists of 27 affiliated State and Regional Grain and Feed Associations and is co-located and has a strategic alliance with North American Export Grain Association.

NGFA commends USDA for soliciting public input as it considers rulemaking to establish voluntary standards for quantifying, reporting, and verifying GHG outcomes for domestic agricultural commodities used as biofuel feedstocks and grown with practices that mitigate GHG emissions and/or sequester soil carbon. We agree with USDA that greater adoption of climate-smart farming practices could lower overall GHG emissions associated with biofuel production and provide other environmental benefits, such as improved water quality and soil health, given feedstocks significantly contribute to the carbon intensity of most biofuels. The potential incorporation of feedstocks produced with climate-smart practices into existing clean transportation fuel programs also represents an emerging environmental service market opportunity that can benefit farmers and other value chain participants.

NGFA believes that USDA voluntary standards for quantifying, reporting, and verifying GHG outcomes would be valuable to entities that establish and administer international, national, or state clean transportation fuel policies, as well as voluntary private-sector initiatives that

promote adoption of climate-smart agricultural practices. Further, U.S. leadership in global sustainable transportation fuel markets is crucial so that related standards and policies provide meaningful benefits and support the economic viability of U.S. agriculture.

Related to federal policy, NGFA believes it was appropriate for the U.S. Department of the Treasury and Internal Revenue Service (IRS) to recognize contributions generated by climate-smart agricultural practices within its guidance for the Sustainable Aviation Fuel (SAF) Section 40B Credit. However, as further detailed within our subsequent comments, NGFA urges USDA to work to ensure future policies do not include requirements for farmers to arbitrarily bundle climate-smart practices to achieve recognized reductions in carbon intensity of their commodities or inhibit the marketing options available to farmers for climate-smart commodities by requiring them to contract directly with producers of clean transportation fuels. It is essential that future policies appropriately incentivize the use of each recognized climate-smart practice, provide flexibility for farmers to use those practices that are suitable for their operations, and allow farmers to market climate-smart commodities through distribution channels that best meet their business needs.

As stated in previous comments to USDA related to the design and implementation of climate-smart standards and policies to minimize agricultural GHG emissions and sequester soil carbon, NGFA urges the Department to proceed in a manner that allows U.S. farmers and agribusinesses to voluntarily adopt practices that foster positive environmental outcomes without idling non-environmentally sensitive land or influencing planting and marketing decisions that should be driven by marketplace demands.

To that end, NGFA strongly supports working land conservation programs, including the Conservation Stewardship Program (CSP) and the Environmental Quality Incentive Program (EQIP), because they provide incentives to help farmers adopt best management practices to maintain and expand their output while improving environmental efficiency. In contrast, policies that idle non-environmentally sensitive cropland reduce U.S. agricultural output and market share, hurt rural economies and harm the ability of beginning and disadvantaged farmers to access farmland.

To appropriately address climate issues and promote the success of U.S. agriculture, USDA should implement standards and policies to maximize conservation and climate-smart practices on working lands (CSP and EQIP). NGFA also urges USDA to reform CRP to make more cropland available for beginning and socially disadvantaged farmers and reduce negative impacts of land idling on rural communities, while also protecting the most sensitive portions of farms.

In response to USDA's notice, NGFA offers the following comments to certain questions posed within the Department's request for information.

Question 1: *Which domestic biofuel feedstocks should USDA consider including in its analysis to quantify the GHG emissions associated with climate-smart farming practices?*

USDA is considering corn, soybeans, sorghum, and spring canola as these are the dominant biofuel feedstock crops in the United States. USDA is also considering winter oilseed crops (brassica carinata, camelina, pennycress, and winter canola). Are there other potential biofuel feedstocks, including crops, crop residues and biomaterials, that USDA should analyze?

Comment: NGFA supports USDA's consideration of winter canola, as it has the added sustainability benefit of providing winter cover.

Question 2: *Which farming practices should USDA consider including in its analysis to quantify the GHG emissions outcomes for biofuel feedstocks? Practices that can reduce the greenhouse gas emissions associated with specific feedstocks and/or increase soil carbon sequestration may include, but are not limited to: conservation tillage, no-till, planting of cover crops, incorporation of buffer strips, and nitrogen management (e.g., applying fertilizer in the right source, rate, place and time, including using enhanced efficiency fertilizers, biological fertilizers or amendments, or manure). Should practices (and crops) that reduce water consumption be considered, taking into account the energy needed to transport water for irrigation? Should the farming practices under consideration vary by feedstock and/or by location? If so, how and why?*

Comment: The carbon intensity of biofuel feedstocks should be quantified with a modified Department of Energy's Greenhouse gases, Regulated Emissions, and Energy use in Technologies (GREET) model that incorporates factors for climate-smart practices. As indicated by USDA, these climate-smart practices should include conservation tillage, no-till, planting of cover crops, incorporation of buffer strips, and nitrogen management, including the use of enhanced efficiency fertilizers. In addition, other specific practices that should be incorporated include conservation crop rotation, low carbon intensity forms of nitrogen (such as green ammonia and blue ammonia), enhanced rock weathering, and beneficial soil amendments.

In general, USDA's consideration of climate-smart practices should be broad and appropriately incentivize all types of carbon reductions. Methods and models used to quantify the emissions reduction impact of a given climate-smart practice should be publicly available, science-based, and periodically updated to reflect changes in scientific understanding. In addition, once established, USDA's list of climate-smart practices should be periodically reviewed and updated to include the latest agricultural practices, products, and technologies.

Significantly, USDA needs to avoid the arbitrary bundling of climate-smart practices when quantifying GHG emissions outcomes. Arbitrary bundling is counterproductive to the adoption of climate-smart practices, minimizing farmer incentives by prescribing practices that may not be appropriate on a regional basis or for a given environment. Due to dynamic environmental factors that influence farm management (such as precipitation, soil type, growing season length, etc.), climate-smart agricultural policies should be flexible in their

methods and not overly prescriptive. Policies should allow farmers to reach established targets in manner consistent with their land, climate, and management approach.

Question 5. *What scientific data, information, and analysis should USDA consider when quantifying the greenhouse gas emissions outcomes of climate-smart agricultural practices and conventional farming practices? What additional analysis should USDA prioritize to improve the accuracy and reliability of the GHG estimates? How should USDA account for uncertainty in scientific data? How should USDA analysis be updated over time?*

Comment: Commodity yield (e.g., bushels per acre) should be included as an input within the modified GREET calculator and tied to indirect land use change (ILUC) adjustments, similar to how plant yield of ethanol used as an Alcohol-to-Jet feedstock impacts scoring of SAF by the 40B calculator. The commodity yield input should also affect feedstock carbon intensity within modeling. USDA's analysis should <u>not</u> include non-ILUC indirect effects that were used for implementation of Section 40B to align with the statutory language.

Regarding quantifying the GHG emissions outcomes of conventional farming practices, it would be beneficial for standardized baselines to be developed for comparison rather than individual farm baselines contingent upon previous practice implementation. Establishing standardized baselines would reduce the need for individual farms to have historical data and facilitate a playing field that does not disadvantage early adopters.

Question 10: *To what extent do interactions between practices either enhance or reduce the GHG emissions outcomes of each practice? Where multiple practices are implemented in combination, should the impacts of these practices be measured individually or collectively?*

Comment: As indicated within our response to question 2, USDA should avoid the arbitrary bundling of climate-smart practices when quantifying GHG emissions outcomes. Any bundling of practices should be based upon scientific evidence that demonstrates the synergistic effect of multiple practices is necessary to achieve the emissions outcome.

Question 15. *What records, documentation, and data are necessary to provide sufficient evidence to verify practice adoption and maintenance? What records are typically maintained, why, and by whom? Where possible, please be specific to recommended practices (e.g., refer to practices identified in question two).*

Comment: To maximize use of climate-smart practices, farmer data collection requirements should be limited to only the information required to verify the practice happened and support modeling input. Limiting data requirements will reduce program burden by minimizing the amount of new information that must be collected and maintained. Reducing administrative burden is essential so that small or low-resource farms are not excluded from participating.

Standards created for records, documentation, and data should provide flexibility and incorporate tech-driven options, such as digital solutions (farm management software), farm

equipment/machinery data, and satellite imagery/remote sensing data. There are reliable ways of verifying climate-smart practice adoption and maintenance. USDA verification standards should align with existing low carbon fuel standard programs and clean fuel regulations, and voluntary programs such as the International Sustainability and Carbon Certification (ISCC) and USDA Natural Resources Conservation Service (NCRS) programs that include CSP and EQIP.

For existing carbon-related programs, many commercial grain handlers and processing companies currently play significant roles in collection and verification of climate-smart data and communicating information through the value chain. In contrast, SAF Section 40B guidance requires SAF producers to contract directly with farmers to source climate-smart commodities used as feedstocks. This discourages adoption of practices by requiring farmers to have direct market access with a SAF producer for their commodity. Further, the requirement eliminates the opportunity for farmers to market climate-smart commodities through other distribution channels, reducing competition and other marketing options that may best meet their business needs.

USDA standards for records and documentation should incorporate an approach in which the GHG attributes would be assigned to a specific lot of climate-smart commodity, but also allow for the attributes to be separated from that specific lot and designated to a similar quantity of the same commodity. The ability to transfer attributes would benefit farmers by providing additional marketing opportunities, and facilitate adoption of climate-smart practices in areas that do not have direct marketing access to a clean transportation fuel producer. Having a system to efficiently transfer GHG attributes through the value chain would be a strong incentive for the use of climate-smart practices and could be supported by digital tools that facilitate traceability and transparency.

Question 18. *Should on-site audits be used to verify practice adoption and maintenance and if so, to what extent, and on what frequency?*

Comment: Physical on-site audits would significantly increase the cost and time associated with the verification process. Further, it would be unlikely that a verifier would actually gain any first-hand evidence of climate-smart practices used at a farm, given the practices would likely have occurred well in advance of the on-site visit. Within existing programs, virtual audits have successfully been used to collect and confirm farmer documentation that substantiates use of climate-smart practices. To minimize participant costs, physical on-site audits should occur only on a judicious basis and primarily be targeted towards situations in which records, documentation or data are suspect.

Question 20: *What system(s) should be used to trace feedstocks throughout biofuel feedstock supply chains (e.g., mass balance, book and claim, identity preservation, geolocation of fields where practices are adopted)? What data do these tracking systems need to collect? What are the pros and cons of these traceability systems? How should this information be verified?*

Comment: As previously noted, Section 40B guidance requires SAF producers to contract directly with farmers to source climate-smart commodities used as feedstocks. This discourages adoption of practices by requiring farmers to have direct market access with a SAF producer for their commodity. Further, the requirement eliminates the opportunity for farmers to market climate-smart commodities through other distribution channels, reducing competition and other marketing options that may best meet their business needs. In contrast, USDA's program should encourage use of chain of custody systems that are flexible and promote marketing options for commodities.

To provide necessary flexibility, traceability standards developed by USDA must allow for a mass balance system for climate-smart commodities. A mass balance system is essential because the vast majority of commodities at both farms and commercial value-chain entities is handled on a commingled basis due to physical infrastructures and distribution methods. A mass balance system allows for the efficient transfer and distribution of GHG attributes, thereby promoting the adoption of climate-smart practices by farmers and the ability to realize the associated benefit through the value chain.

Under a mass balance approach, the volume of a given commodity with quantified GHG attributes is documented at receipt and an equivalent volume of the same commodity may be distributed with the associated attributes. This type of system allows the commingling or blending of the climate-smart commodity with the same commodity produced through conventional means, provided the quantities are controlled in documentation. Volumes through the system would be balanced to provide assurance that a clean transportation fuel originates directly or indirectly from a climate-smart commodity. Use of mass balance systems reduces cost, eliminates the need for capital expenditures required for identity-preserved traceability, supports large-scale production and provides flexibility in sourcing of feedstocks. Records and data associated with commodity volumes and associated GHG attributes that move through a distribution channel would need to be established and verified.

Question 23. *What independent third-party verification systems currently exist that may be relevant for use in the context of verifying climate-smart agricultural practices (as identified under questions 1 and 2) and/or biofuel supply chains?*

Comment: USDA's consideration of climate-smart practice verifiers should align with approved verification bodies of existing recognized programs because of the extensive work already done to establish appropriate standards, and properly vet verifiers and their qualifications. Among existing relevant verification systems that USDA should consider in the context of verifying climate-smart agricultural practices are approved California Air Resources Board (CARB) verification bodies and individual verifiers, ISCC EU renewed Renewable Energy Directive (REDII) certification bodies, and approved verification providers under the Canada Clean Fuel Regulations (CFR) program.

Conclusion

NGFA supports USDA development of voluntary standards for quantifying, reporting, and verifying GHG emissions outcomes for climate-smart commodities. These standards would be valuable to entities that establish and administer international, national, or state clean transportation fuel policies. In addition, the standards would support and advance voluntary private-sector initiatives by enhancing confidence and transparency in practices and the verification of carbon sequestration and emission reduction activities. Participating farmers and agribusinesses also would benefit from the emerging environmental service market supported by the standards.

NGFA supports USDA standards that encourage the voluntary adoption of climate-smart agricultural practices on working lands and that facilitate additional revenue opportunities for farmers and agribusinesses. In contrast, we oppose standards and policies that would further ration available U.S. cropland by the expansion of non-targeted land retirement programs. Such programs reduce the quantity of cropland available for beginning and socially disadvantaged farmers, negatively impact rural communities, reduce U.S. crop production share, and promote a net increase in global atmospheric carbon. To be successful, USDA's standards must complement and support existing and emerging private-sector initiatives, minimize burdens on participating farmers and commercial entities, support additional revenue opportunities, and provide flexibility to achieve meaningful outcomes.

In closing, NGFA again commends USDA for soliciting public input on the effect of climate-smart farming practices on the GHG net emissions estimates associated with the production of domestic agricultural commodities used as biofuel feedstocks. We look forward to working with USDA to support U.S. agriculture's adoption of climate-smart practices.

Sincerely,

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