

June 2, 2009

The Honorable Nancy Pelosi, Speaker  
United States House of Representatives  
Washington, D.C. 20515

The Honorable Steny Hoyer, Majority Leader  
United States House of Representative  
Washington, D.C. 20515

Dear Speaker Pelosi and Majority Leader Hoyer:

The undersigned organizations write to outline our outstanding priorities and concerns within the American Clean Energy and Security Act of 2009 relative to the cap and trade section of the legislation. Your leadership is needed to ensure the final legislation is crafted in a way that maximizes the participation of farmers and ranchers while minimizing the economic burden in the climate change equation. From an environmental perspective, maximizing agriculture's role results in significant carbon benefits to the country and provides a vital component to addressing global warming.

The Energy and Commerce committee-passed bill takes a good first step in addressing the significant role that agriculture and forestry can play in combating global climate change, with the inclusion of 2 billion tons of allowable offsets. However, before the legislation advances to the floor of the U.S. House, additional improvements are necessary within the offset sections of the bill to ensure agriculture's participation.

Our organizations have laid out a number of priorities for consideration since this debate started in the House, yet each priority remains almost entirely unaddressed. Priorities include:

- The U.S. Department of Agriculture (USDA) is granted control and administration of the agricultural and forestry offset program;
- Early actors are fully recognized;
- No artificial cap is placed on domestic offsets;
- Offset credits for carbon sequestration rates are based upon science;
- Producers are permitted to stack environmental benefit credits;
- Establishment of a static baseline; and
- Limiting leakage analysis to the confines of the United States.

#### USDA's Role -

USDA should establish the parameters of an agricultural and forestry offset program as described in statute. USDA should be directed to promulgate regulations and administer related elements of the agriculture offset program including: determining eligible project types; establishing protocols and requirements of offset projects; approving projects; and verifying offset projects.

#### Early Actors -

Congress must recognize the early efforts undertaken by agricultural leaders to reduce greenhouse gas (GHG) emissions and/or sequester carbon. While the Energy and Commerce committee-passed bill takes some steps, early actors should be fully and unambiguously eligible to participate and receive compensation for future GHG emissions reductions or carbon sequestration achieved under the newly established offset protocols.

#### Unlimited Domestic Offsets -

The use of domestic agricultural offsets must not be limited. Because agricultural offsets provide the easiest and most readily available means to reduce GHG emissions on a meaningful scale, legislation should not artificially limit these projects' ability to provide a positive impact in climate mitigation.

Stackable credits -

Certain practices to reduce GHG emissions will have multiple environmental benefits, including clean water, wildlife habitat improvements and reduced soil erosion. Projects that participate in a carbon offset program should not be excluded from participating in other markets for environmental services that exist or may exist in the future.

Baseline-

Eligibility and offset compensation should be based upon whether a project, technique or practice sequesters carbon or otherwise reduces GHG emissions. USDA should establish an activity baseline for each offset project type in effect on January 1, 2001 with standardized methodology. We support the establishment of a static baseline of activity to measure against when determining additionality. The fixed baseline should establish which practices were in effect on a specific piece of land on a specific date; any activity that results in GHG reductions measured against that baseline should be deemed eligible/additional.

Leakage -

Leakage analysis for domestic offsets must be done within the confines of the jurisdiction of the United States. As such, determining what, if any, leakage might occur from a project on a producer's own farming operation is vital. No leakage analysis should include impacts of offset projects outside the United States.

The task before Congress poses significant challenges; balancing environmental goals with consumer and economic impacts will undoubtedly be difficult. Given the recent EPA endangerment finding announcement, the failure of Congress to pass climate change legislation will require EPA to regulate GHG emissions under the Clean Air Act. A purely regulatory approach to addressing GHG emissions will bring all of the downsides of increased energy inputs but none of the upsides of carbon offset opportunities.

The aforementioned key principles have been embraced by a broad cross-section of the agricultural community. In doing so, we hope to have demonstrated a proactive approach to working with you and your colleagues to pass a bill that works for farmers, ranchers and rural communities. We also believe these principles will help generate market based cost containment efficiencies and provide vast new carbon improvements to the environment.

We look forward to working with you in the coming weeks and welcome the opportunity to meet with you and your staff to further discuss our concerns.

Sincerely,

National Farmers Union  
American Farmland Trust  
National Corn Growers Association  
National Association of Wheat Growers  
National Milk Producers Federation  
International Biochar Initiative

cc: The Honorable Henry Waxman, Chairman, House Energy and Commerce Committee  
The Honorable Edward Markey, Chairman, House Energy and Environment Subcommittee  
The Honorable Collin Peterson, Chairman, House Agriculture Committee