

May 26, 2010

The Honorable Lisa Jackson
Administrator
Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washington, DC 20460

The Honorable Tom Vilsack
Secretary
U.S. Department of Agriculture
1400 Independence Avenue SW
Washington, DC 20250

Dear Administrator Jackson and Secretary Vilsack:

One of the key mechanisms needed to ensure the economic viability of a system to limit greenhouse gas emissions is an offset market. The implementation of a robust offset market could have profound implications for agricultural revenue and production in the United States. We welcome your attempts to assess the implications of policies to control greenhouse gases and develop offset markets as it is critically important to have an accurate understanding of these policies and their implications for agriculture.

However, previous attempts by your agencies to model the likely scale and scope of an offsets market have indicated a far more limited opportunity than other studies. We are writing to request your assistance in ensuring that future assessments of an offset market accurately represent the policies being proposed, particularly for modeling of the energy and climate legislation recently proposed by Senators Kerry and Lieberman.

We are concerned that in the past, the limits of the model used (FASOM), and the policy assumptions made about baselines and which offset types and volumes should or would be allowed, have yielded an inaccurate picture of the role offsets could play in a carbon program. As you analyze the most recent climate legislation introduced by Senators Kerry and Lieberman, we urge you to choose an appropriate model and ensure that assumptions reflect current realities and the intent of the legislation being analyzed.

In a USDA memo describing the most recent EPA and USDA modeling available, Dr. Glauber enumerated many issues with previous modeling and projections. He wrote:

"It is critical that the assumptions used to simulate policy actually reflect how the policy is likely to be implemented. The March 2009 FASOM runs used by EPA and USDA last year simulated a generic climate change policy rather than the specific offsets program under HR 2454. We have identified a number of assumptions contained within the FASOM policy runs that diverge from the components of legislation passed by the House of Representatives."

We heartily agree that the models and assumptions used should reflect the policy being proposed, and it is our hope that any new modeling of Kerry-Lieberman will evaluate the actual design of the legislation and offset market.

We are particularly concerned that many of the assumptions made in earlier modeling analysis of climate change legislation have not taken into account the full range of offset types that policymakers specified for inclusion. Previous modeling and assumptions, specifically offset categories as they exist in the House-passed version of HR 2454, were disqualified in a way so that results did not show a significant supply of agricultural offset credits. These offset categories include: conservation tillage, no-till and other improvements in organic soil management; changes in fertilizer application; alternative manure management systems and dairy digesters.

While we acknowledge the difficulties of evaluating baseline and eligibility for offsets in advance of protocols to be established by a federal system, we sincerely hope that your agencies can put forward analysis that indicates the tremendous potential that these agricultural offsets can offer in reducing and sequestering greenhouse gases. In the absence of specifics, your Agencies should consider putting forward scenarios or sensitivity analyses in order to capture the range of potential and should clearly indicate any policy assumptions that were necessary to determine the outcomes of modeling.

Furthermore, because the FASOM model failed to adequately assess offsets that could be used on working farmland, the model drove afforestation numbers far higher than is likely in any realistic scenario. These discrepancies need to be fixed as your agencies begin modeling the Kerry-Lieberman *American Power Act*.

In addition, the Kerry-Lieberman proposal contains specific language that should change the picture on land use shifts. These provisions include limitations on afforestation (in the event of impacts on food production), and stackability of credits that offer ecosystem benefits (so landowners can receive both carbon and CRP payments). Both of these provisions have implications for how land shifts from grassland or CRP to cropland to afforestation and it is critical that new modeling study these dynamics.

Offsets markets offer tremendous potential to help mitigate the total cost to the economy of any system to control greenhouse gases as well as providing an important new revenue stream for rural America. It is clear that the legislative efforts that Congress is engaged in intend for the inclusion of a robust offsets market that promotes agricultural offsets on working lands and methane capture from livestock manure as primary features. We urge your agencies to comply with this intent and provide economic projections that take into account the full range of offsets that are intended and capable of being available.

Finally, we offer our assistance in developing an understanding of current realities and future projections for farming practices and agricultural production in the United States. We encourage you to engage us in the process of evaluating these models, assumptions and projections so that they most accurately represent the realities of farming in the United States.

Sincerely,

Agricultural Carbon Market Working Group
American Farmland Trust
International Biochar Initiative
National Association of Wheat Growers
National Corn Growers Association
National Farmers Union
National Milk Producers Federation
The Fertilizer Institute

Cc: Ms. Gina McCarthy, Dr. Joseph Glauber