



**National Farmers Union  
Testimony of Roger Johnson**

**Before the  
U.S. House of Representatives Small Business  
Committee**

**Climate Change Solutions for Small Businesses and  
Family Farmers**

**Wednesday, April 29, 2009  
Washington, D.C.**

**STATEMENT OF ROGER JOHNSON, PRESIDENT  
NATIONAL FARMERS UNION  
BEFORE THE HOUSE COMMITTEE ON SMALL BUSINESS  
CONCERNING: CLIMATE CHANGE SOLUTIONS FOR SMALL BUSINESSES AND  
FAMILY FARMERS  
APRIL 29, 2009**

Chairwoman Velazquez, Ranking Member Graves, and members of the committee, thank you for the opportunity to testify today. My name is Roger Johnson, and I am president of the National Farmers Union (NFU). NFU was founded in 1902 in Point, Texas, to help the family farmer address profitability issues and monopolistic practices while America was courting the Industrial Revolution. Today, with a membership of 250,000 farm and ranch families, NFU continues its original mission to protect and enhance the economic well-being and quality of life for family farmers, ranchers and their rural communities. We believe that farmers and ranchers have a significant role to play in addressing the energy and environmental challenges facing our nation.

The issue of climate change is complex to navigate and often requires access to a special dictionary to define words like additionality, permanence, early actors and leakage. Long before climate change legislation was a common coffee shop topic or seriously debated in Congress, NFU emerged as the leading voice for how agriculture can play a significant role in combating global climate change. Our members were early to recognize and acknowledge the negative effects climate change has on domestic food and fiber production. To address these issues, our policy supports a national, mandatory carbon emission cap and trade system to reduce non-farm greenhouse gas (GHG) emissions.

Failing to reduce GHG emissions poses significant economic impacts on agriculture and populations whose welfare is of special interest to the agricultural community. Studies of climate change scenarios show increased frequency of heat stress, droughts and flooding events will reduce crop yield and livestock productivity. According to the U.S. Department of Agriculture (USDA), the risks of crop failure will increase due to rising temperatures and variable rainfall; further, earlier spring seasons and warmer winter temperatures will increase survival rates of pathogens and parasites leading to disease concerns for crops and livestock.

Although several options exist to address climate change from a policy perspective, NFU believes the flexibility of a cap and trade program holds the most promise in making actual GHG emissions reductions while mitigating the overall energy cost increases resulting from such a program. Such a system could provide farmers and ranchers the opportunity to contribute to the solution of climate change by utilizing soil carbon sequestration and methane capture from certain livestock projects. These projects could be meaningful revenue streams for producers who will experience some increase in agricultural input costs.

On April 17, 2009 the Environmental Protection Agency (EPA) issued its “proposed endangerment finding” which reported GHG emissions are a threat to public health. This report

was in response to a 2007 U.S. Supreme Court ruling that ordered the agency to determine whether carbon dioxide and other GHG emissions qualify as pollutants under the Clean Air Act. The proposed finding did not include any proposed regulations and is now open for public comment. While it is understood that an endangerment finding under a single provision of the Clean Air Act cannot by itself trigger regulation under the entire Act, if Congress fails to pass climate change legislation, the EPA will move to regulate GHG emissions. It is not reasonable to expect EPA to try to regulate agricultural GHG emissions on the farm, but a purely regulatory approach to addressing GHG emissions will bring all of the downside of increased energy inputs and none of the upside of carbon offset opportunities. For this reason among others, NFU supports a comprehensive legislative approach in addressing climate change.

### Agriculture's Role in a Cap and Trade System

NFU strongly believes that the agriculture and forestry sectors should not be subject to an emissions cap as they are too small and diffuse to be directly regulated. According to analysis completed by USDA and EPA in 2005, the United States' two million farms and ranches emit minor quantities of GHG emissions, approximately 7 percent of all U.S. emissions. Establishing a regulatory scheme to capture emissions from each of these two million farms would be extremely costly and burdensome and not yield significant GHG emission reductions. EPA has also currently estimated carbon sequestration by forests and agricultural lands offset approximately 12 percent of annual GHG emissions from all sectors of the economy. It is expected a flexible offset program with appropriate financial incentives will accelerate sequestration practices under a cap and trade system; soil and forestry carbon sequestration has the capacity to offset 20 percent of all GHG emissions in the United States according to EPA. It is clear that in the near-term, carbon sequestration projects on agricultural and forestry lands are the easiest and most readily available means of reducing GHG emissions on a meaningful and expedited scale.

In April 2008, the Dole-Daschle 21<sup>st</sup> Century Agricultural Policy Project released a report, "The Role of Agriculture in Reducing Greenhouse Gas Emissions: Recommendations for a National Cap and Trade Program". This report cited analysis completed by EPA that estimated up to 168 million tons of carbon dioxide could be sequestered in U.S. agricultural soils on an annual basis. The Dole-Daschle report went on to illustrate EPA's projection of total income opportunity associated with the estimates at a price per ton range consistent with current modeling estimates of carbon permit prices:

\$10/ton CO<sub>2</sub> = \$1.17 billion/year  
\$15/ton CO<sub>2</sub> = \$2.5 billion/year  
\$20/ton CO<sub>2</sub> = \$3.4 billion /year

This income potential is significant to our farmers and ranchers who will be faced with further increased energy inputs. Energy-related GHG emissions related to the agricultural sector would be regulated upstream at the fuel supplier, electric utility or large industrial level. Our members do not argue with the reality they will face increased energy costs, but do not agree with those who attest there are no economic benefits from addressing climate change through the legislative process.

The distribution of emission allowances will be extremely important to the ultimate viability of a national cap and trade program. The majority of emission allowances should be auctioned by the federal government with the revenue generated used to mitigate the cost of a cap and trade program on impacted parties and foster the development of renewable, low-carbon energy sources and technologies. A portion of the allowances should be given away for free to critical sectors of the economy to reduce overall transition costs as well as to provide economic incentives to drive further carbon reductions.

Providing a percentage of overall allowances to the agricultural sector as proposed in the 2008 Lieberman-Warner climate change bill would offer important tools and flexibility for agriculture producers to implement activities that provide GHG benefits but may not technically fall within the scope of an offset program. For example, smaller agriculture operations are less likely to be in a position to generate offset credits simply due to the amount of offset credits they could generate not exceeding the cost of changing a practice of cost of compliance. However, they could engage in a practice appropriate for size that provides GHG emission reduction benefits, that project would be eligible for an appropriate allowance benefit as determined by USDA. Under this scenario, farmers and ranchers would be given the flexibility to participate in different aspects of a cap and trade program, maximizing both producer participation and environmental benefits for our society.

## **OFFSET PROGRAM**

In addition to receiving allowances, mechanisms should be established that allow agriculture to generate offset credits by implementing practices to more quickly reduce GHGs. Agricultural offsets provide the easiest and most readily available means of reducing GHG emissions on a meaningful scale. Farmers and ranchers who are willing to work through the requirements and protocols of an offset program, to demonstrate GHG sequestration and/or reduction, should be able to sell these credits to regulated entities at a fair market price.

### NFU Carbon Credit Program

In 2006, NFU became an aggregator of carbon credits on the Chicago Climate Exchange (CCX). CCX is North America's only, and the world's first, GHG emission registry, reduction and trading system for all six greenhouse gases. Our organization became involved in this effort with a goal of enhancing farm income through economically successful and environmentally sound land management practices that reduce or offset carbon emissions. Members of CCX make a voluntary, but legally binding commitment to reduce GHG emissions. Many Fortune 500 companies, multinational corporations, utility and power generation companies and municipalities are buying the credits for a variety of reasons. Some purchase credits to boost public relations, others have subsidiaries based in foreign countries and are obligated to reduce emissions or buy offset credits per the Kyoto Treaty and others are simply concerned about reducing GHG emissions.

Currently, NFU is the largest aggregator of agriculture carbon credits on CCX. We currently have more than 5 million acres enrolled across 31 states; nearly \$9.5 million has been earned for the almost 4,000 producers that have voluntarily enrolled in our program. The organization has learned valuable lessons on how to properly construct a cap and trade program. The CCX

program has developed standardized trading instruments and workable protocols for aggregation, registration, verification and sale of agricultural and forestry offsets.

All existing rules-based and independently verified projects implemented under current programs, such as CCX, should be integrated into the federal program to serve several important policy objectives. Specifically, incorporating existing projects will prevent potential backsliding as well as continue to encourage agriculture offset projects while a federal program is being debated, enacted and implemented. The legislative draft from Energy and Commerce Committee Chairman Waxman does not include recognition of the CCX registry, generated offsets and early actors which poses a significant concern for our program participants.

### USDA's Role

With its more than 20 years of targeted climate change research, NFU believes USDA is well positioned to promulgate the rules and administer the agricultural offset program. USDA should be directed to promulgate regulations determining eligibility of agricultural and forestry offset projects and to administer related elements of such a program.

Currently, USDA maintains observation and data systems to monitor and track changes in the climate as well as access to the benefits of actions taken to reduce GHG emissions and increase carbon sequestration. USDA has existing statutory authority from the 2008 Farm Bill, technical expertise and institutional resources which provide the necessary launching pad to create and administer any offset program. USDA can leverage its experience working with farmers, in addition to its technical expertise modeling and measuring farming practices' ability to sequester carbon and promote appropriate manure management practices, to ensure maximum participation in the agricultural community. Agencies within USDA that have been working on agriculture sequestration projects include the Natural Resource Conservation Service; Cooperative State Research, Education, and Extension Service; Farm Service Agency, Economic Research Service; and Agricultural Research Service. Furthermore, for most farmers and ranchers in the country, USDA offices are located nearby.

### Early Actors

Farmers, ranchers and landowners that have already adopted certain practices to reduce GHG emissions and entered into a voluntary, yet legally-binding contract should be allowed to participate under a federal mandatory cap and trade offset program. Often referred to as "early actors," these individuals are leaders within their communities who should be recognized and rewarded, rather than penalized and excluded. Some offset critics suggest these early actors should not be compensated for carbon sequestered under a federal offset program. Such an argument, however, runs counter to the overall purpose of an offset program – to encourage widespread adoption of practices that reduce GHG emissions or sequester carbon. We do not advocate that early actors be automatically issued offset credits or receive retroactive payments. However, if an early actor meets and complies with all offset protocols for a practice, technique or project type under the new law then he or she should be eligible for offset credits and paid for future GHG emissions reductions or sequestered carbon.

### Unlimited Domestic Offsets

As stated earlier in my testimony, EPA estimates agricultural soils and forestry lands have the potential to sequester enough carbon to offset 20 percent of annual emissions in the United States. With a goal of removing as much GHG from the atmosphere as possible, it would seem counterproductive to limit the amount or use of domestic offsets. Legislation should not artificially limit the amount of domestic agricultural project offsets. The current Waxman-Markey discussion draft limits the total quantity of offsets to 2 billion tons, split between domestic and international offsets. Domestic agriculture and forestry projects alone have the potential to meet the limit, yet we do not know what other types of non-agricultural activities will qualify under the offset program. In order to aggressively address the impacts of climate change, there should be no limit on offsets, such as agriculture and forestry, which provide the easiest and most readily available means to reduce GHG emissions on a meaningful scale.

### **OTHER CONCERNS/PRIORITIES**

There are three other topics I would like to touch on briefing before I conclude.

Additionality – The definition of this term is highly subject to the perspective of the individual providing the definition. The basic concept of additionality is a project or activity should receive credit under a cap and trade program to the extent that it generates benefits that are in “addition” to what would have occurred absent the project. NFU supports the establishment of a static baseline of activity to measure against when determining additionality. The fixed baseline should establish what practices were being performed 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. Defining this term quickly becomes a slippery policy slope that can easily limit participation under an offset program. Some argue projects would not be additional if a practice is common in a given geographic area, or if the practice would have occurred due to a pre-existing law or regulation, or if the rationale behind implementing the action includes justifications beyond a cap and trade program. All of these arguments create a perverse definition of additionality that would exclude real projects that offer real GHG emission reductions.

Reversals – The establishment of a reserve pool of offsets to address potential reversals of carbon sequestration projects is prudent for the integrity of the program. However, a differentiation must be made between anthropogenic (human-caused) and non-anthropogenic (natural) emissions. Offset providers should not be penalized for the reversal of projects outside their scope of control. The purpose of the cap and trade program would be to reduce man-made/anthropogenic carbon emissions, not naturally occurring emissions. Therefore, in establishing a reserve pool of offsets, participants should not be required to account for carbon reversals caused by natural acts such as hurricanes, drought and wildfires. A key factor in the establishment of the reserve fund is who pays for such a system. NFU wholly supports holding an individual responsible for intentionally reversing a carbon sequestration project. Under the Farmers Union Carbon Credit Program a percentage of offsets are set aside in a reserve pool for reversals; penalties are levied against enrollees who intentionally break their contract and reverse a carbon sequestration project. However, it is not equitable to place the cost of reversals on offset providers for unintentional/non-anthropogenic reversals. Resolving such reversals should be the responsibility of the government, not individual offset project representative.

Stackable Credits – The benefits accrued from a project established under a GHG offset market often provide additional environmental benefits including clean water, wildlife habitat and reduction of soil erosion. Sometimes these practices provide additional income to the producer beyond just the economic value of the offsets. This is a good thing and should be encouraged. Allowing offset project managers to “stack” credits will maximize economic benefits to producers resulting in additional projects launched and further environmental benefits accrued.

## **CONCLUSION**

Enacting legislation to address global climate change will be one of the most significant challenges and opportunities for this Congress to undertake. Balancing environmental goals, consumer and economic impacts will be difficult. Yet, the chorus of those calling for action continues to get louder. While my testimony aims to highlight some of the priorities for National Farmers Union in the climate change debate, there is no question other issues and concerns will arise. As an organization that has been around for more than 100 years, we stand ready to help Congress accomplish one of the most significant policy challenges facing us today. I look forward to answering any questions committee members may have; thank you again for including the perspective of America’s family farmers and ranchers in this issue.