



**National Farmers Union
Testimony of Roger Johnson**

**Before the
U.S. Senate Committee on Agriculture,
Nutrition & Forestry**

**The Role of Agriculture and Forestry in
Global Warming Legislation**

**Wednesday, July 22, 2009
Washington, D.C.**

**STATEMENT OF ROGER JOHNSON, PRESIDENT
NATIONAL FARMERS UNION
BEFORE THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION AND FORESTRY
CONCERNING: THE ROLE OF AGRICULTURE AND FORESTRY
IN GLOBAL WARMING LEGISLATION
JULY 22, 2009**

Chairman Harkin, Ranking Member Chambliss, and members of the committee, thank you for the opportunity to testify today. My name is Roger Johnson, and I am president of National Farmers Union (NFU). NFU was founded in 1902 in Point, Texas to help family farmers address profitability issues and monopolistic practices. Today, with a membership of 250,000 farm and ranch families, we continue our 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.

Today's hearing signifies a milestone for shaping the tone and role for agriculture moving forward with climate change legislation. NFU has been working proactively and constructively throughout the legislative debate to ensure our priorities and concerns are addressed. The American Clean Energy and Security Act (ACES) of 2009 as recently passed by the U.S. House of Representatives is a step in the right direction. The work of House Agriculture Committee Chairman Collin Peterson to establish a workable domestic agriculture and forestry offset program was a much needed improvement to the legislation, and NFU urged members of the House to vote in favor of ACES. In doing so, we hope to have demonstrated a constructive approach to pass legislation that works for American farmers, ranchers and rural communities.

The intersection of climate change mitigation and American agriculture is complex to navigate. It often requires access to a special dictionary to define words like additionality, permanence, early actors and leakage. NFU has emerged as a leading voice for how agriculture can play a significant role in combating global climate change. Our members were early to acknowledge the negative effects climate change has on domestic food, fuel 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 that:

- Grants the U.S. Department of Agriculture (USDA) control and administration of the agriculture offset program, rather than the Environmental Protection Agency (EPA);
- Does not place an artificial cap on domestic offset allowances;
- Bases carbon sequestration rates upon science;
- Recognizes early actors; and
- Allows producers to stack credits.

FINANCIAL IMPLICATIONS OF CLIMATE CHANGE

Although several policy options exist to address climate change, NFU believes the flexibility of a cap and trade program holds the most potential for actual GHG emissions reductions while mitigating increased energy costs resulting from such a program. A cap and trade system could provide farmers and ranchers the opportunity to be a part of the climate change solution by utilizing soil carbon sequestration and methane capture from certain livestock projects. These projects could be valuable revenue streams for producers who will experience increased input costs.

Failure to reduce GHG emissions poses significant economic impacts on agriculture and populations whose welfare is of special interest to the agricultural community. To state it simply, the cost of no action must become a legitimate part of the ongoing debate. Models of climate change scenarios demonstrate increased frequency of heat stress, droughts and flooding events that will reduce crop yield and livestock productivity. According to USDA, risk of crop failure will increase due to rising temperatures and variable rainfall. Further, earlier spring seasons and warmer winter temperatures will increase pathogen and parasite survival rates leading to disease concerns for crops and livestock.

On April 17, 2009 the EPA issued its “proposed endangerment finding” which concluded GHG emissions are a threat to public health. The report was in response to a 2007 U.S. Supreme Court ruling that ordered EPA to determine whether carbon dioxide and other GHG emissions qualify as pollutants under the Clean Air Act. 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. However, if Congress fails to pass climate change legislation, the EPA will move to regulate GHG emissions. A purely regulatory approach to addressing GHG emissions will bring all of the downsides of increased energy inputs without the upsides of carbon offset opportunities. For these reasons, NFU supports a comprehensive legislative approach to 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 country’s two million farms and ranches emit minor quantities of GHG emissions, approximately seven percent of all U.S. emissions. Establishing a regulatory scheme to capture emissions from each of these farms would be extremely costly and burdensome and would likely fail to yield significant GHG emission reductions. Currently, EPA estimates that carbon sequestration by forests and agricultural lands offsets approximately 12 percent of annual GHG emissions with the capacity to offset 20 percent of GHG emissions from all sectors of the economy. A flexible offset program with appropriate financial incentives will accelerate sequestration practices under a cap and trade system. 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 21st Century Agricultural Policy Project released a report, “The Role of Agriculture in Reducing Greenhouse Gas Emissions: Recommendations for a National Cap and Trade Program.” The report cited EPA analysis 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 CO₂ = \$1.17 billion/year
\$15/ton CO₂ = \$2.5 billion/year
\$20/ton CO₂ = \$3.4 billion /year

This income potential is significant to our members who will be faced with increased energy input costs. Energy-based GHG emissions related to the agricultural sector would be regulated upstream at the fuel supplier, electric utility or large industrial level. Our members accept that they will face increased energy costs; however, they do not agree with those who claim climate change legislation will be void of economic opportunities and incentives.

Mechanisms should be established that allow agriculture to generate offset credits by implementing practices to quickly reduce GHG emissions. Farmers and ranchers, who demonstrate GHG sequestration

and/or reduction, should be able to sell credits to regulated entities at a fair market price. In May 2008, under the leadership of Chairwoman Stabenow, the Senate Agriculture Subcommittee on Rural Revitalization, Conservation, Forestry and Credit held a hearing to investigate job creation and how agriculture and forestry can help lower costs in a low-carbon economy. I thank the subcommittee for taking action last year and renew NFU's pledge to working with Stabenow and all members of the Senate Agriculture Committee to ensure our mutual goals are met.

LEGISLATIVE PRIORITIES

USDA's Role

With more than 20 years of targeted climate change research, USDA is well positioned to promulgate 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 both changes in climatic patterns as well as beneficial practices to reduce GHG emissions and increase carbon sequestration. USDA has the institutional resources, administrative structure and established relationships with producers to launch and oversee an effective offset program. The 2008 Farm Bill provided the department with the statutory authority necessary to create and administer an offset program. USDA can leverage its experience working with farmers and ranchers to promote appropriate land based and manure management practices to drive 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 already have entered into a voluntary, legally-binding contract and adopted certain practices to reduce GHG emissions should be allowed to participate under a federal mandatory cap and trade offset program. Often referred to as "early actors," these individuals are leaders who should be recognized and rewarded, rather than penalized and excluded. Some offset critics suggest 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, which is to encourage widespread adoption of practices that reduce GHG emissions or sequester carbon. We believe that early actors who are generating offset credits under voluntary programs should be rewarded for any ton of carbon that is sequestered or destroyed, but has not been sold and used to meet a carbon reduction obligation. Additionally, it is critical that 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.

All existing rules-based and independently verified and registered tons implemented under current programs, such as the Chicago Climate Exchange (CCX), should be integrated into legislation to serve several important policy objectives. Specifically, incorporating existing verified and registered tons will prevent potential backsliding and continue to encourage agriculture offset projects while a federal program is being debated, enacted and implemented.

Unlimited Domestic Offsets

As I stated earlier, 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. The goal is to remove as much GHG from the atmosphere as possible. Legislation should not artificially limit the amount of

domestic agricultural project offsets. ACES limits the total quantity 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, including those generated by agriculture and forestry, in order to provide the easiest, least costly and most readily available means to reduce GHG emissions on a meaningful scale.

Allowances

The distribution of emission allowances will be extremely important to the ultimate viability of a national cap and trade program. We believe the majority of emission allowances should be auctioned by the federal government with generated revenue used to mitigate the cost a cap and trade program would have on impacted parties and to foster the development of renewable, low-carbon energy sources and technologies. A portion of the allowances should be given away 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, or a portion of allowance auction revenues, to the agricultural sector as proposed in the 2008 Lieberman-Warner climate change bill would offer flexibility for agriculture producers to implement activities that provide GHG benefits but may not technically fall within the scope of an offset program. In addition, producers have an extremely limited ability to pass higher costs along to purchasers. Establishing an allowance or allocation for agricultural producers will allow a smoother transition and readjustment to higher input costs resulting from the climate change legislation. Such funds would minimize the economic burden imposed upon the agricultural sector especially for smaller producers who are less able to generate offset credits. Specifically, the amount of credits that they could potentially generate may not warrant the cost of changing practices or the cost of compliance to verify the offset credits themselves.

The allocation of allowances or allowance revenues can allow research and development toward new seeds, technologies and techniques to increase production efficiency and counteract negative impacts of climate change. Farmers and ranchers are creative and innovative, yet federal funding will likely be vital to helping producers adapt to new techniques, practices and technologies for reducing GHG emissions and for sequestering carbon. The development of future methods of carbon sequestration or emission reductions could be encouraged and funded through allowance allocations or the proceeds of an allowance auction – allowances could in effect serve as a bridge as data is collected and verified. After being developed and implemented, new techniques and practices could potentially be certified as accredited offsets and would therefore no longer require funding from the allowance allocation.

ACES grants a 0.28% allocation of allowances to the agriculture sector. NFU believes the 5% allocation provided in the Lieberman-Warner bill debated in the Senate last year should serve as the minimum allocation for climate legislation.

Additionality

Defining additionality has proven to be a challenging and highly subjective task. The basic concept behind additionality is that a project or activity should receive credit under a cap and trade program to the extent 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 institute what practices were being performed on a specific piece of land on a specific date; any activity that results in GHG emissions reductions measured against that baseline should be deemed eligible and additional. Defining this term has quickly become a slippery slope that threatens to limit participation under an offset program. Opponents argue projects would not be additional if a practice is common in a given geographic area, 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. Each of these arguments creates a perverse definition of additionality that would exclude appropriate projects that offer real GHG emission reductions. At the end of the day, the atmosphere does not care why there is a reduction in GHG emissions, only that there is one.

Reversals

The establishment of an offset reserve pool to address potential reversals of carbon sequestration projects is prudent for the integrity of the program. However, the differentiation must be made between anthropogenic and non-anthropogenic (natural) emissions. The purpose of the cap and trade program is to reduce man-made/anthropogenic carbon emissions. Therefore, in establishing a reserve pool of offsets, participants should not be required to account for 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 supports holding an individual responsible for intentionally reversing a carbon sequestration project. Under current Chicago Climate Exchange (CCX) protocols, twenty percent of a pool's credits are set aside in a reserve account for reversals. These credits may not be sold until the associated contracts expire and all conditions have been fulfilled. Penalties should be levied against enrollees who intentionally break their contracts and reverse a carbon sequestration project. Resolving the cost of unintentional reversals, however, should not be the burden of the offset provider.

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 producers beyond the economic value of the offsets. Allowing offset project managers to "stack" credits will maximize the economic benefits to producers, encourage additional projects to be launched and amplify the environmental benefits accrued.

International Competitiveness

Since passage of ACES, the issue of international competitiveness has gained traction with regard to whether the United States will be at a significant disadvantage compared to other developing countries that have not instituted similar carbon constraints. NFU has long stood for trade agreements that are both free and fair and ensure proper environmental safeguards to guarantee a level playing field. It is critical that this legislation is enacted in such a way that ensures fairness with our international trading partners.

RENEWABLE ENERGY OPPORTUNITIES

NFU has long been a leader in supporting, finding and creating opportunities for all types of renewable energy; we continue to push for strengthening current technologies and industries, while helping usher in tomorrow's innovations. Rural America has the unprecedented opportunity to provide for the energy needs of the entire country, but cannot achieve that goal without a federal commitment that fully harnesses such potential.

As climate and energy legislation moves through the United States Senate, it is critical this opportunity is used to advance renewable energy opportunities in rural America. I will specifically mention two items.

First, the Senate should act similarly to the House of Representatives to ensure that the Renewable Fuels Standard is implemented in a common sense manner that will continue to drive development of petroleum alternatives. Specifically, the EPA should be barred from proceeding with the consideration of international indirect land use changes when calculating lifecycle GHG emissions for renewable fuels. Currently, there is no way to accurately predict how the production of biofuels will affect land use within the United States or on the international scene. Nor is it possible to fully capture the myriad other reasons for land use change around the world.

Additionally, NFU supports modification to the definition of renewable biomass to conform to the definition in the 2008 Farm Bill. The more inclusive farm bill definition ensures regional equity and allows for the responsible use of biomass from both private and federal lands that will ensure that we can meet the RFSII mandate. The farm bill definition reflects the thoughtful consultation of relevant agencies, including USDA, and other congressional committees.

Second, it is critical that any legislation include a robust Renewable Electricity Standard. Renewable electricity generation from rural America is a largely untapped resource. Study after study indicates that rural America has the potential to supply significant percentages of U.S. energy needs within the next two decades.

A 2003 Stanford University study found that wind resources capable of generating power competitively with new natural gas and coal powered plants blow across one-quarter of U.S. lands. The American Wind Energy Association estimates that economical wind resources are available in three-quarters of the states, and the Great Plains alone has potential in excess of current U.S. power generation. The United States Department of Agriculture and the Department of Energy have found that the United States has the capacity to produce nine billion tons of biomass from farmlands by 2030 that can be used for both electricity generation and cellulosic ethanol production.

Last July, NFU released a report on the economic benefits rural America would see if 20 percent of electricity consumed in the United States came from renewable sources. Electricity production from wind would result in rural landowners receiving between \$475 million and \$562 million in payments from wind farm leases. Electricity production from renewable biomass would result in payments of at least \$25 billion to farmers of these new crops. And, \$43.4-66.7 billion in capital would be invested in new clean energy facilities mostly in rural areas.

I want to take a moment to underscore that the type of projects also plays a critical role in how they benefit rural America. A National Renewable Energy Laboratory (NREL) study compared the benefits of local ownership versus outside ownership, and found that locally-owned wind projects generate 2.6 times more jobs and 3.1 times more rural economic benefit than those with outside ownership. Echoing this point, a 2006 study by Oregon State University concluded that local ownership of wind turbines would result in five times the annual projected income versus entering into a land lease agreement. Given this fact, NFU believes that federal policies should foster the development of locally-owned projects.

FARMERS UNION CARBON CREDIT PROGRAM

Upon meeting all eligibility requirements, Farmers Union became a CCX aggregator in early 2006. The organization became involved with the goal of enhancing farm income through economically successful and environmentally sound land management practices that reduce or offset carbon emissions. Initially launched in North Dakota, the Farmers Union Carbon Credit Program was expanded in the fall of 2006.

CCX is North America's only, and the world's first, GHG emission registry, reduction and trading system for all six greenhouse gases. Members of CCX make a voluntary, legally binding commitment to reduce GHG emissions. Many Fortune 500 companies, multinational corporations, utility and power generation companies and municipalities are purchasing CCX carbon credits for a variety of reasons. Some buy credits to boost public relations, while others have subsidiaries based in foreign countries and are obligated to reduce emissions or buy offset credits per obligations under the Kyoto Treaty. Still others are simply concerned about the environment and want to reduce GHG emissions.

The CCX program has developed standardized trading instruments and workable protocols for aggregation, registration, verification and sale of agricultural and forestry offsets. Currently, NFU is the largest aggregator of agriculture carbon credits on CCX. To date more than 5 million acres are enrolled across 31 states and nearly \$9.5 million has been earned for the almost 4,000 producers that are voluntarily participating in our program. NFU has learned valuable lessons on how to properly construct an offset program. Attached to my testimony is a state-by-state summary of the acres enrolled in each eligible category.

Eligible practices under the Farmers Union Carbon Credit Program include no-till crop management, conversion of cropland to grassland and sustainable management of native rangelands; forestry; and agricultural methane. Chapter 9 of the CCX Rulebook relates to offsets and early action credits and outlines detailed protocols. As an aggregator, it is our job to translate technical requirements into easily understood project obligations and communicate that information to producers. We believe the protocols and methodologies within CCX can serve as a starting point for a federally mandated offset program administered by USDA.

Enrollment Process

An interested producer can log onto www.carboncredit.ndfu.org to enroll in the Farmers Union Carbon Credit Program. Currently, the website utilizes a map-based enrollment method for the nine Midwestern states, Wisconsin, Minnesota, North Dakota, South Dakota, Nebraska, Kansas, Colorado, Wyoming and Montana (a 48-state map will be launched by the end of this summer). Upon creation of an account, the producer selects the appropriate contract(s) and adds acres by selecting the appropriate parcels on a digital map. Required information, such as farm and tract numbers are inputted to allow the system to automatically calculate total acreage. The producer can continue to add parcels until all acreage he or she wishes to enroll has been selected. Contracts are then printed, signed and returned for enrollment.

Verification

CCX protocols require a minimum random sample of 10 percent of contracts and enrolled acres be verified on an annual basis. The sample must include a minimum of 10 percent of contracts representing 10 percent of acres in order to prevent a single, large enrollee from skewing results. The Farmers Union Carbon Credit Program actual verification sample is generally closer to 15 percent of all contracts and enrolled acres. The verification process is conducted by CCX-approved third-party vendors. The North Dakota Association of Soil Conservation Districts, Association of Official Seed Certifying Agencies, AgriWaste Technology, Inc., SES Inc and Winrock International have conducted audits under the Farmers Union program.

Since the beginning of our program, we have not found the verification costs or process to be a deterrent to producer participation.

Confidentiality

As a private enterprise, all contracts and supporting documentation are kept confidential by the Farmers Union Carbon Credit Program. In order to complete the verification process, approved third-party verifiers are provided copies of necessary documents for the sole purpose of program compliance confirmation. Verifiers are legally bound to protect producers' information. Further, as an aggregator, we must submit limited information - enrollee's name, contact information and acreage totals, to CCX when requesting credits be registered on the exchange.

CONCLUSION

I recently had the opportunity to participate in one of the stops on USDA's rural tour. I was encouraged by the enthusiasm that exists in rural America for ways in which farmers and ranchers can be part of the

climate change solution. Since passage of ACES, regional and national press has focused its efforts on negative scenarios for agriculture under a cap and trade system. I believe as the leader of a national organization, it is my responsibility to help change the conversation about this legislation.

Today is an opportunity to emphasize that America's farmers and ranchers can be, and want to be, part of the solution to global climate change.

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 with consumer and economic impacts will be difficult. Yet, the chorus of those calling for action continues to get louder. While my testimony aims to detail the role of aggregators and opportunities for agricultural producers to participate in an offset program as well as highlight some of the policy priorities for NFU 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 our country today. I look forward to answering any questions committee members may have. Thank you.

Farmers Union Carbon Credit Program
Acreage Enrollment Totals

State	No-Till	New Grass	Forestry	Rangeland
AR	0	0	1,740	0
CO	50,802	80,145	2	262,031
GA	218	0	314	0
IA	4,456	355	0	0
ID	0	0	0	18,109
IL	10,285	433	131	0
IN	52,635	1,105	235	0
KS	103,367	8,465	0	9,432
KY	4,476	128	0	0
MD	4,634	521	0	0
MI	3,434	205	0	0
MN	10,458	39,901	789	0
MO	24,254	4,584	168	0
MT	239,517	54,708	0	297,933
ND	1,386,746	69,416	81	212,515
NE	232,230	27,246	193	878,361
NJ	0	0	19	0
NM	0	0	0	40,712
NY	236	63	254	0
OH	43,939	1,547	220	0
OK	3,747	670	0	15,917
OR	0	1,402	0	0
PA	1,837	217	0	0
SC	141	0	0	0
SD	528,828	33,566	443	314,026
TN	6,432	693	125	0
TX	1,527	411	0	0
VA	3,785	911	514	0
WA	0	1,648	0	0
WI	19,714	3,065	1,086	0
WY	3,063	3,222	0	220.652
Total	2,740,761	334,627	6,314	2,269,688

Updated: June 9, 2



Roger Johnson

National Farmers Union President

Roger Johnson was elected National Farmers Union's 14th president during the organization's 107th anniversary convention in 2009.

Prior to leading the family farm organization, Johnson, a third-generation family farmer from Turtle Lake, N.D., served as North Dakota Agriculture Commissioner, a position he was first elected to in 1996. While Agriculture Commissioner, Johnson served on the State Industrial Commission, the North Dakota Trade Office Advisory Board, and the State Board of Agricultural Research and Education, among many other boards and commissions.

From 2007-2008, Johnson served as president of the National Association of State Departments of Agriculture (NASDA). As NASDA president, he played a key role in crafting the 2008 Farm Bill, pressing for provisions that benefit agricultural producers, such as a permanent disaster program, ending the ban on interstate shipment of state-inspected meat, the re-balancing of loan rates for program crops and farm-based renewable energy. Johnson was chairman of NASDA's Rural Development and Financial Security Committee from 2000 to 2007.

Johnson is a past president of the Midwestern Association of State Departments of Agriculture (MASDA), past president of the Food Export Association of the Midwest and a former chairman of the Interstate Pest Control Compact.

Johnson grew up in Farmers Union, participating in the organization's youth programs, serving as a county president and chairman of the board of a local Farmers Union cooperative. Johnson graduated from North Dakota State University with a degree in agricultural economics.

Johnson and his wife, Anita, are the proud parents of a daughter and two sons.