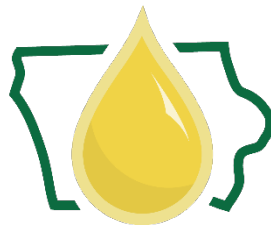


Iowa Renewable



Fuels Association

March 14, 2025

United States Department of Agriculture

**Docket No. USDA–2024-0003-0262**

**Technical Guidelines for Climate-Smart Agriculture Crops Used as Biofuel Feedstocks**

The members of the Iowa Renewable Fuels Association (IRFA) thank the USDA for taking public comments on the interim rule 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.

IRFA members have the capacity to produce over 6.5 billion gallons of corn-starch ethanol, cellulosic ethanol, biodiesel, renewable diesel, and renewable natural gas (RNG) across the United States. Several members are also actively working toward production of sustainable aviation fuel (SAF). Given the diversity of our membership in the number of bioproducts produced, in size (from small, locally-owned coops to large multinational corporations), in feedstock use (corn, corn stover, distillers corn oil, corn kernel fiber, soybean oil, canola oil, various fats and greases, and used cooking oil), combined with the scope of our members, IRFA is uniquely suited to provide input on this important topic. As such, we welcome the opportunity to share our insights into creating a system to properly quantify the benefits of climate smart agriculture (CSA) to ensure the American farmer is both encouraged to adopt beneficial practices and be properly compensated for doing so.

### **The CSA Rule Needs to be Finalized and It Needs to be Right**

Much has happened since the USDA posted the interim rule on January 17, 2025. No doubt there are new faces and new priorities throughout the agency. That is why IRFA wants to state up front that we believe it is important for the Agency to improve and finalize this rule. Agriculture needs this rule, and they need it to be right.

What hasn't changed since January 17, are the multiple voluntary carbon programs that will pay farmers for certain regenerative ag practices and the low carbon programs, incentives and mandates around the world. The challenge for American farmers is that these opportunities often have different rules, contradictory rules, or rules that discriminate against modern farmers. For too long, it has been left to entities, foreign and domestic, that know nothing about farming to decide what farm practices should and should not count, the value of those practices, and whether American farmers have a role to play.

Therefore, regardless of future U.S. energy and tax policy, it would be a huge benefit to American farmers if the USDA stepped forward and finalized science-based regenerative ag guidelines that fully and fairly credit farmers for the innovative work they are doing. The USDA should set the Gold Standard for recognizing these practices, measuring their impact, and ensuring full value back to

the American farmer. While these guidelines can and should be incorporated into U.S. tax policies like the 45Z Clean Fuel Production Tax Credit, they can also serve as a beacon to private programs and as a benchmark for any programs around the world seeking to engage agriculture as a solution.

We noted with appreciation that the U.S. State Department recently objected to unfair and discriminatory rules for Sustainable Aviation Fuel (SAF) being proposed by the International Civil Aviation Organization (ICAO) in Europe. While objections to bad policies are helpful, what is needed is an American standard to which to point. American farmers can play a large role in addressing carbon concerns expressed not just in U.S. policy, but in voluntary and foreign programs as well. During these difficult economic times for farmers, the USDA can help ensure another value-added opportunity is available by working to get American farmers full credit for the great efficiency advancements they are making.

IRFA will discuss below ways that the interim rule can be improved. The rule needs to be right. However, we first want to stress that this rule should be finalized as a tool to help American farmers get a square deal around the world.

### **Climate Smart Agriculture Practices: More Options and Full Credit**

IRFA recognizes the additional farm practices recognized in the USDA proposed interim rule compared to the Department of Treasury's rules for the 40B tax credit, but the USDA needs to recognize many more CSA farming practices so not to limit farmer participation and possible compensation. As you are aware of, given the massive differences in soils and climates across the United States, and sometimes just across the fence line, farmers must be given the opportunity to adopt the CSA practices that work best for their land.

IRFA also wants to applaud the interim rule for the increased farmer credit for carbon reduction practices compared to the 40B. However, additional work needs to be done to ensure farmers who are adopting a recognized CSA farming practice, receive full credit for the carbon reduction of that practice. By failing to apply an appropriate CI reduction, a farmer will be unable to fully monetize the value of the practices sufficiently to underwrite the cost of implementing the practice. As such, there would be little to no incentive for a farmer to continue such CSA practices or for other farmers to adopt new CSA practices.

While we do recognize that there is uncertainty in CSA modeling, we urge the Department to adopt the best available science as seen in Argonne National Lab's GREET model and to update any regulations as better science becomes available in a continuous cycle of improvement. We note that there is great uncertainty in all climate science and modeling. The only thing that is certain is that if adopting a CSA practice does not provide a return-on-investment to the farmer, adoption will be much slower than if it did.

We will leave it to farmers and farm organizations to outline the range of practices that should be recognized and their value in building soil organic carbon or in foregoing traditional carbon emissions associated with providing food, feed and fuel for the world. IRFA supports these recommendations.

## **Decouple CSA Carbon Credits from Physical Bushels to Maximize Environmental, Farmer, and Clean Fuel Benefits**

Unfortunately, the interim rule does not decouple CSA carbon credits from physical bushels to maximize farmer participation while creating a fair opportunity for all farmers coast-to-coast as we unleash American energy dominance in current and future markets. Simply put, a book and claim system has several major advantages over other possible systems but more importantly, treats all farmers fairly while allowing universal participation no matter their area code.

### **Background**

Whether through the 45Z tax credit, voluntary programs, or foreign mandates and incentives, when entities seek to incent the production of low-carbon fuels, a key component to decarbonization is reducing the carbon intensity of agricultural feedstocks for biofuels. To maximize the potential, the rules must encourage the widespread adoption of CSA practices among farmers.

Under the temporary 40B tax credit, the IRS required full supply chain traceability. Requiring identity preservation (IP) throughout a complex and complicated supply chain presents a practical barrier to the widespread adoption of CSA practices. For example, following a kernel of corn from a particular field, to commingled on-farm storage, to a local elevator, to an ethanol plant, to a sustainable aviation fuel plant would be cumbersome at best, and cost-prohibitive in all likelihood.

### **The Solution**

A book and claim system allows any program recognizing regenerative agriculture to avoid tracking, monitoring, assessing, and auditing the diverse and multifaceted agricultural system between the farmer and qualifying biofuel producer. If the goal is to encourage widespread adoption of CSA practices to leverage lower-carbon biofuels, there is no need to require full supply chain traceability.

A book-and-claim chain of custody model has already proven successful for other markets such as renewable natural gas (RNG) and green electricity renewable energy credits (RECs). A decoupled approach to CSA carbon credits would unlock numerous positive outcomes while eliminating a huge enforcement challenge (following those individual kernels).

### **How it Works**

Under a decoupled model, a farmer would generate CSA carbon credits and could sell them on an open market to any clean fuel producer. Meanwhile, the clean fuel producer would source feedstock in the most efficient manner, regardless of the carbon intensity (CI) of the physical bushels being sourced.

In general, a farmer who utilizes approved CSA practices would keep the necessary detailed records as required. The farmer would complete a legally binding CSA certificate for each field, taking into account the yield for that field. The Department should allow or require an accredited third party to verify the CSA certificate and documentation.

IRFA believes these CSA certificates should be certified by the local USDA office. Once the USDA certifies the information provided by the farmer/third party verifier, the certified CSA credits would be decoupled from the physical bushels and be available to market to interested parties. With USDA certification, the purchaser of the CSA credits would be held harmless from the results of any

future audits or enforcement actions and would not be required to maintain the underlying documentation for the CSA credits.

This one small step will reduce burden and legal liability on clean fuel producers and, as such, reduce the portion of any CSA credit that would be spent or “held” in reserve to account for future audits. Farmers would have no additional burden or liability whether the USDA provides this service or not. Finally, this allows a complete separation of the farmer from additional requirements by the enforcing entity, whether that be the IRS, voluntary program or international agency. The USDA will be in charge of ensuring the CSA carbon credits are authentic and accurate. The enforcing entities, while recognizing the CSA carbon credits, will be in charge of ensuring only that clean fuel producers acquired proper credits and verifying the amount. Bifurcating the oversight will prevent multiple agencies from overseeing the same actor and prevent any duplicative or contradictory regulations. Finally, this will also ensure that each agency is in control of the portion of the system where it has expertise. For example, there is no need for Treasury to learn the intricacies of CSA ag practices, but they are well versed in implementing and monitoring tax credit programs.

CSA credits could be purchased by registered clean fuel producers or registered CSA credit aggregators. The clean fuel producer who chooses to purchase CSA credits, would substitute the CI reflected on the CSA credits for the specific number of bushels covered and use this CI score to calculate their fuel’s ultimate CI to determine the amount of any 45Z tax credit.

A CSA credit aggregator would be recognized by the Department and would agree to necessary reporting requirements and auditing procedures. Aggregators could play an important role between small farmers and clean fuel producers. While no farmer would be required to use an aggregator, some may find the option beneficial. Companies who register as aggregators should not be allowed to register as third-party verifiers. IRFA would urge this be a hard separation and not just “internal firewalls” in order to maintain the integrity of the program.

## **Benefits of Decoupling CSA Credits from Physical Bushels**

### ***Carbon***

A flexible, transparent CSA system unburdened by full supply chain traceability will significantly lower the cost of compliance and allow for a greater incentive to reach the CSA farmer. This, in turn, incents more farmers to adopt CSA practices.

By allowing the clean fuel producer to source physical grain unrelated to bushel-specific CI scores, we avoid the added inefficiencies and transportation to source low carbon feedstocks at a distance to the clean fuel production as opposed to nearby feedstocks. This eliminates the added carbon emissions that the added transport would have required.

Carbon reductions come from the adoption of CSA practices regardless of where or how the commodity is ultimately used. To maximize carbon reductions, the regulations should encourage as many farmers as possible to participate. Book and claim achieves this.

## ***Farmer***

Full supply chain traceability will provide the most benefit to those farmers located closest to a clean fuel production facility. By decoupling the CSA carbon credits, every farmer in America has an equal opportunity to adopt CSA practices and to benefit financially from doing so. For example, today only about 33 million acres of corn are processed into biofuel and could even hypothetically participate in programs like the 45Z tax credit. Decoupling opens all 90 million acres of corn production to potentially benefit from CSA. The same would be true for soybean farmers or for any other feedstock.

Some livestock farmers have raised concerns about how they might be impacted by CSA credits. By decoupling the CSA carbon credit, that transaction is separate from the sell/purchase of the commodity. Further, this also provides fairness for farmers who raise corn or other commodities as feed for their own livestock. Again, book and claim provides a level playing field for all the interested parties under the Department.

By “owning” the CSA carbon credits directly, the farmer is guaranteed transparency in the price they are paid for their CSA practices. Further, it allows the farmer to negotiate with every single clean fuel producer in the country, not just those nearby, or with registered aggregators to achieve economies of scale.

## ***Fuel Producer***

A clean fuel producer would now be able to source feedstock in an efficient manner while having access to CSA carbon credits from around the country. Further, with USDA certification of the CSA carbon credits, the fuel producer would not face the expense and risk of inaccurate CSA carbon credits. This reduction in overhead will allow the clean fuel producer to pay more for the credits, thereby benefiting farmers and increasing the incentive for greater adoption of CSA practices.

IRFA also believes clean fuel producers should be able to source CSA carbon credits for more bushels than they physically acquire. This would allow producers to create very low carbon fuels to meet the demand of emerging markets like sustainable aviation fuel (SAF). Again, this creates greater demand for CSA carbon credits and will lead to greater adoption of CSA practices and the corresponding carbon reductions.

As mentioned above, the carbon benefit comes from the adoption of CSA practices, not how the commodity is ultimately utilized. Therefore, it does not matter, for example, if the CSA carbon credits on 60 million bushels of corn are sold to two ethanol plants each grinding 30 million bushels, one ethanol plant grinding 60 million bushels, or one ethanol plant grinding 30 million bushels but who wants to reduce their CI score to very low levels.

Finally, it is important to note that not every CSA carbon credit will have the same CI score as farmers will adopt the CSA practice or practices that work for specific acres. If acquiring CSA carbon credits is limited by the number of physical bushels ground, biofuels producers may not be interested in credits that account for only a small CI reduction. If those credits have no value, then there will be no incentive for farmers to adopt modest CSA practices where that is their only viable option. In order to maximize the climate and farmer benefits, the system should incent all farmers to adopt whatever CSA practices they can, whether that be multiple or singular.

## **Bottom Line**

Requiring full supply chain traceability for every bushel produced using CSA practices is impractical, costly, and counter-productive to the goal of maximizing the benefit to American farmers from voluntary, U.S. or international programs. Decoupling the CSA carbon credits from the physical bushel through a book and claim system unlocks numerous benefits for both farmers and clean fuel producers.

IRFA looks forward to working with USDA to develop any future regulations regarding CSA farm practices to ensure their benefits to farmers, the environment, and clean fuels programs. If you have any questions or require additional information, please contact IRFA's Executive Director, Monte Shaw at 515-252-6249 or [mshaw@lowaRFA.org](mailto:mshaw@lowaRFA.org).

Sincerely,

A handwritten signature in black ink that reads "Monte Shaw". The signature is written in a cursive, flowing style.

Monte Shaw  
Executive Director