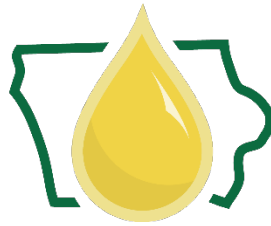


Iowa Renewable



Fuels Association

April 10, 2025

Internal Revenue Service
Room 5203
PO Box 7604
Ben Franklin Station
Washington, DC 20044

RE: Section 45Z Clean Fuel Production Credit (Notice 2025-10); Section 45Z Clean Fuel Production Credit - Emissions Rates (Notice 2025-11)

Iowa Renewable Fuels Association (IRFA) appreciates the opportunity to provide comments regarding implementation and clarification of the 45Z Clean Fuel Production Credit. IRFA is an independent state trade association whose members have the capacity to produce over 6.5 billion gallons of corn-starch ethanol, cellulosic ethanol, biodiesel, renewable diesel, renewable natural gas (RNG), and sustainable aviation fuel (SAF) across the United States. 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.

45Z is Important to America's Heartland and the Trump Policy Agenda

The 45Z Clean Fuel Production Tax Credit (45Z) has the potential to power American energy dominance from coast-to-coast and especially in the Heartland. In order to ensure the job creating, economic driving, energy producing benefits of the 45Z tax credit are maximized, IRFA urges the Internal Revenue Service (IRS) to quickly update the guidance to provide more clarity and workability and to finalize all affiliated rules as soon as possible.

45Z has the potential to promote several objectives of the Trump Administration. Currently, Midwest farmers are facing depressed commodity prices, constrained growth opportunities at home and uncertain export markets abroad. While IRFA and others are separately working with the Trump Administration and Congress to address this by authorizing year-round E15 sales and setting market-moving Renewable Fuel Standard (RFS) blending levels, the swift and proper implementation of 45Z is key to ensuring the most robust growth in American renewable fuels production.

As recently as 2023, in Iowa alone, renewable fuels accounted for over 50,000 direct and indirect jobs, more than \$3 billion in household income, and added over \$6.5 billion to Iowa's GDP. In a forthcoming updated analysis, all those numbers are dropping. Production has been growing very slowly or not at all while American farmers continue to produce more bushels on fewer acres. 45Z is an important tool to turn this around.

Also, 45Z can dramatically enhance American renewable fuels production not just for growth markets in the U.S. like E15 and B20 (20 percent biodiesel blends), but it can be an important tool to help achieve President Trump's goal to level our balance of trade. Agriculture is one of the few sectors of the American economy ready today to dramatically increase exports. However, the more those exports of American agriculture can be value-added, like renewable fuels, the more impact they will have on boosting American jobs and the quicker they will bring down trade deficits.

In short, 45Z can be an effective, powerful, and near-term tool to achieve several Trump Administration priorities across a broad swath of the policy agenda with the proper modifications and timely implementation.

Prevailing Wage and Apprenticeship Requirements Must Be Streamlined and Reduced

While we acknowledge that the law requires certain Prevailing Wage and Apprenticeship (PWA) requirements, the current guidelines are at best a compliance nightmare and at worst an impenetrable barrier for many renewable fuel producers. Many renewable fuels production facilities are located near small towns or in rural areas where labor unions and contractors familiar with PWA are rare. IRFA has received nearly universal reports that the administrative burden and cost to comply with PWA requirements is crippling the benefit of the program. Also, complying with PWA is almost always a new experience for the facilities which can lead to unintended errors or oversights. Companies acting in good faith should not lose the full value of the credit in such cases.

It is important to note that renewable fuels production facilities almost always offer the best salary and benefit opportunities available in their regions. Plants take pride in creating "blue collar" jobs with "white collar" pay and benefit packages. These plants are already driving their local job markets, but now the PWA burden and costs actually hamper their ability to continue.

IRFA urges the IRS to modify its guidance to reduce the burden and uncertainty created by PWA requirements.

- The guidance should make clear the understanding that **areas of a renewable fuels production facility not directly involved in fuel production** do not fall under the PWA requirements. For example, the grain receiving area of an ethanol plant or the feedstock pre-treatment area of a biodiesel plant.
- Replacement of equipment due to normal wear or the end of its duty cycle should be considered maintenance and not subject to PWA. **Anything currently classified as a “repair” that does not enhance the production level or emissions rate** of the plant should be reclassified as maintenance. It is clear that “original” production capacity was intended to be exempt from PWA and that only capital projects that would impact a plant’s ability to generate credits were to be covered by PWA. IRFA has often heard of the administrative burden of trying to keep track of when a worker “puts down the grease gun and picks up a wrench.”
- There should also be a **“de minimis” level established for repairs** that do not fall under PWA. Small projects with little impact on production or the emissions rate can generate more in compliance costs than will be gained via the tax credit. Yet, to ensure the facility remains compliant overall, they have no choice but to follow PWA requirements.
- IRS should immediately work with the Department of Labor to determine **county-specific wage rates** for any county where a potentially qualifying facility is located. To date, many plants must default to large geographic areas that do not accurately reflect their local situation.
- Likewise, as PWA requirements have not been common in the renewable fuels industry, many jobs common to renewable fuels do not seem to have **appropriate job categories** leaving inexperienced staff hoping to guess correctly. IRS should ensure clear job categories are available.
- Given the lack of clarity on how to apply PWA requirements to a new industry and the inexperience of the industry, clear provisions should be created to establish **safe harbor provisions**, opportunities to fix any inadvertent errors, and clarity that unintentional errors will not jeopardize the facility’s ability to claim the full credit value.

45Z Must Harness Farmers to the Drive for American Energy Dominance

The original notices leaves to “a future date” whether farmers will be allowed to participate in the 45Z program. The time has come. IRS should work with the Department of Agriculture to finalize regenerative ag practices that will reduce the emissions rate for renewable fuels production facilities. Whether it is called regenerative ag, market smart ag or climate smart ag (CSA) doesn’t matter. What matters is harnessing the ingenuity and hard work of American farmers to further the goal of American energy dominance while providing a common sense method for the farmers to be financially rewarded for this service.

IRFA has made extensive comments on the USDA CSA proposed rules. They are attached to these comments for your reference. Key highlights include using a book-and-claim system, separating the certification of CSA credits to USDA while leaving 45Z credits to the IRS, increasing the number of qualifying practices based on the USDA FD-CIC module, and allowing maximum flexibility in employing CSA practices (no bundling).

In addition, the IRS should **remove all indirect land use change (iLUC) penalties** from the emissions rate model. These penalties are not supported by more than two decades of real-world experience with the production of renewable fuels. American farmers are producing more bushels on fewer acres than ever before. Maybe iLUC was an interesting intellectual question 25 years ago, but the data is in. It does not exist. And it should not be used to penalize American farm commodities to the benefit of foreign feedstocks.

Emissions Factors Must be More Granular to Avoid Risk and Unfair Outcomes

Current guidance on rounding emission factors leads to the likely possibility of inherent risk due to plant disruptions and of grossly unfair outcomes for similarly situated renewable fuels production facilities. Further, it reduces the incentive for minor improvements at individual plants that could, collectively across the industry, greatly enhance American energy dominance.

IRFA has heard from members that both benefit from and are harmed by the current rounding regime. In the end, the consensus is that while plants are differently impacted today, as the industry continues to become more efficient, all plants will be on the “short end” of the rounding regime over time. Therefore, IRFA asks IRS to explore all possible measures allowed under this law and other provisions to finalize a rounding regime that is more granular in nature.

It is clear that Congress set an emissions threshold of 50 kgCO₂e/mmBTU for renewable fuel facilities to qualify for the 45Z credit. Yet, under current guidance, a plant at 49, 48, or even 47.5 kgCO₂e/mmBTU would not generate a credit. With the qualifying statute and rounding statutes in conflict, IRFA urges EPA to find the best outcome that avoids unnecessary risks, unfair differentiations, and incentives contrary to the purpose of the entire program.

Consider the following examples. The 100-million-gallon per year **ethanol plant “Left Behind”** ends the year with an emissions rate of 47.5 kgCO₂e/mmBTU. As their emissions factor rounds down to zero, they earn no credits. They likely spent several million dollars to comply with PWA requirements, but fall just short. They “qualify” for a 45Z tax credit by having an emissions rate under 50 kgCO₂e/mmBTU, but they get nothing and likely lose money due to PWA.

On the other hand, the 100-million-gallon per year **ethanol plant “Hair of Our Chin”** bought some last-minute renewable energy credits (RECs) and hit 47.4 kgCO₂e/mmBTU for the year. Their emissions factor rounds to 0.1. Therefore they would receive \$10 million. Obviously, this plant is happy, but does the law really call for such differentiated outcomes based on such a small discrepancy in emissions rates?

Now consider that ethanol plant “Hair of Our Chin” experienced an unexpected production issue during the last two weeks of December. They do the math and after being on target all year, their final emissions rate bumped up to 47.5 kgCO₂e/mmBTU. Instead of garnering a \$10 million tax credit, they are forced to change their name to “Left Behind.” The risk for plants from unexpected, last-minute hiccups in production are huge and unnecessary.

Finally, ethanol plant “Left Behind” decided to invest \$1 million to reduce its emissions rate by 0.1 in order to “round down” into a \$10 million tax credit. Meanwhile, 200 other ethanol plants consider the same \$1 million investment. It would lower their emissions rate by the same 0.1, but let’s say they are not on the cusp of rounding. This collective \$200 million investment would not happen because it would not generate any tax credits. The U.S. loses out on the economic investment of \$200 million and the affiliated production efficiencies, resulting in less production. The current rounding regime leaves possible improvements to plants, and thereby American energy dominance, on the table.

Given the contradictory parts of the statute, the inherent unnecessary risk, the unfair outcomes for similarly situated facilities, and the failure to incentive maximum improvements, the IRS must find a system that provides better outcomes across the board.

By the way, for those curious, if there were no rounding regime, ethanol plant “Left Behind” would generate a \$5 million credit, while ethanol plant “Hair of Our Chin” would generate a \$5.2 million credit. And the year when the last-minute production hiccup bumps up their emissions rate by 0.1, “Hair of Our Chin” would only be out \$200,000, not the entire \$5.2 million.

There has to be a better way.

Feedstock Certainty for American Renewable Fuel Producers

IRFA undoubtedly has the most diverse membership of any renewable fuel trade association as noted in the first paragraph. There are widespread positions on these issues. Below is the IRFA consensus, but we acknowledge it is not the unanimous position of every member.

Citing significant concerns, the current guidance excludes fuels utilizing the 45ZCF-GREET model to determine their emissions rate if the feedstocks are imported, excepting tallow and Canadian canola.

IRFA believes there is nothing inherently wrong with importing foreign feedstocks and using American jobs to add value here, thereby creating economic activity in the U.S. However, a tax credit system that disadvantages domestic feedstocks is not sustainable. Therefore, the IRS should:

- **Remove iLUC penalties** from U.S. farm commodities based on the data showing American farmers are producing more bushels on FEWER acres. This alone will greatly reduce the unfair advantages of many imported feedstocks.
- **Implement robust verification steps to ensure imported feedstocks** are what they say they are and to ensure their carbon intensity is accurately reflected before imported feedstocks qualify.
- Apply the **same treatment** of imported feedstocks to all emissions rate models, not just 45ZCF-GREET.
- Ensure all feedstocks, such as Brazilian sugarcane, are required to have the **same recordkeeping requirements** as U.S. feedstocks.
- Reevaluate the current carbon intensity assumptions for **Brazilian “safrinha” corn**. It defies logic that the entire “12-month” carbon intensity is allocated to the first crop, while the double crop safrinha corn is assumed to have none. Safrinha corn should carry its own carbon weight.

The 45ZCF-GREET model should be **updated annually** to reflect the most up-to-date science and efficiency gains of American agriculture. The emissions rate table should be modified to include (and update carbon intensity scores for) feedstocks such as corn kernel fiber, canola oil, winter canola, winter camelina, cottonseed oil, distillers sorghum oil, and other feedstocks in or near commercial use. Further, the 45ZCF-GREET model should not artificially limit the carbon reducing impact of renewable natural gas (RNG) generated from dairy manure.

Maximize American Energy Dominance by Clarifying All End Use Markets

To maximize the benefits for 45Z for American consumers and farmers, for the U.S. economy, and for export opportunities that reduce imbalances of trade, the final guidance should clarify all eligible end use markets. The statute requires that fuels be “suitable for use as a fuel in a highway vehicle or aircraft.” It does not require fuel to be used ONLY in those markets. So long as the fuel meets all other requirements, the following fuels/markets should be made expressly eligible:

- Undenatured ethanol, often used for exports or off-road markets, should be recognized as a qualifying fuel.

- Fuel ultimately used in rail, marine, home heating, and off-road applications.

Eligibility should be based on the requirements in the statute. A producer nearly always sells or distributes through a third-party entity and therefore would not even know the ultimate destination of any given tanker load. To force such tracking would be a ridiculous paperwork burden with no benefit and run counter to the intent of maximizing production of qualifying fuels.

Additional Recommendations

Clarify “qualifying sale” to include the historic flow of renewable fuels throughout the supply chain utilizing marketers, wholesalers, traders and distributors. Further, the updated rules should clarify that partial ownership of a marketing firm by a producer, a longstanding and common practice, does not run afoul of the **“unrelated person” requirement**.

Immediately establish a functioning **Provisional Emissions Rate (PER) process** so that facilities can acquire “non-default” emissions rates not included on the baseline tables provided. This should include a time limit for a determination decision and it should allow facilities to input a wide range of variables that reflect their actual operating conditions, rather than being forced to use inaccurate “average” data.

Use denatured fuel ethanol as the “gallon equivalent” for all fuels. This has been standard practice under the Renewable Fuel Standard for years and is well understood by all parties.

Include corn wet mill production pathways for ethanol in the 45ZCF-GREET model. 45Z was intended to be technology neutral. If a corn wet mill can produce a renewable fuel with a carbon intensity score that qualifies for a tax credit, there is no sound reason to exclude those gallons.

Confirm that a qualifying production facility can decide to apply for **either 45Z or 45Q tax credits each year** and is not locked into one or the other.

Confirm that a qualifying production facility can utilize the initial guidance to determine emissions rates until such time as new guidance is made official, but that a facility can also **use any new guidance if they wish for the entire year**.

Enact safeguards to ensure that any fuel sold for use in an aircraft is actually **used in an aircraft** in order to qualify for the corresponding special tax credit rate.

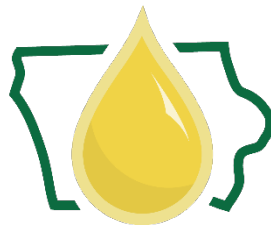
Allow **renewable energy credits** (RECs) to be utilized without the 45V restrictions that do not apply to renewable fuels production. Any RECs validated in existing tracking systems should be recognized for use by production facilities.

On this and any other issues, IRFA is ready to work with the IRS and to provide any further information or background where we may be of assistance. Please do not hesitate to contact me at mshaw@lowaRFA.org or 515-252-6249.

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

Monte Shaw
Executive Director
Iowa Renewable Fuels Association

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.

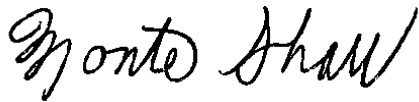
Finally, it is important to note that not every CSA carbon credit will have the same CI score as farmers will adopt the CSA practice or practices that work for specific acres. If acquiring CSA carbon credits is limited by the number of physical bushels ground, biofuels producers may not be interested 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.

Sincerely,

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

Monte Shaw
Executive Director