



CONCERNS AND ISSUES FOR CLIMATE CHANGE LEGISLATION

November 2009

Preface

The American Soybean Association (ASA) is concerned with the impacts that could result from enactment of climate change legislation that unilaterally subjects U.S. farmers, manufacturers, and other businesses to emissions caps and increased energy costs without appropriate measures to ensure that the U.S. maintains economic competitiveness. ASA recognizes that inaction on energy and environmental issues may also have consequences and absent legislation, potential regulatory action by EPA may be a more onerous and costly method of addressing the issues.

Climate change legislation passed by the House of Representatives and the current draft Senate climate change bill do not provide sufficient measures to protect American economic competitiveness and ASA does not support those measures in their current form.

If Congress moves to enact climate change legislation, it must be structured in a manner that will achieve the desired benefits while maintaining the viability of the U.S. economy and domestic food supply, including U.S. farmers and livestock producers, food & feed processors, and our communities. Policies that attempt to move our country away from fossil fuel energy sources may create new opportunities for agriculture, but also could create significant uncertainty and negative consequences for agriculture and the national economy. Any cap and trade legislation must provide stability, promote the global competitiveness of U.S. agriculture, and not diminish our ability to supply U.S. and foreign consumers with abundant food, feed, fiber, and renewable fuel.

To achieve overall global emissions reductions and to maintain competitiveness for soybean producers, soy processors, and the livestock and food customers whom we supply, implementation of U.S. climate change legislation must be contingent on Senate ratification of an international commitment to reduce greenhouse gas emissions that includes all major world economies and our foreign competitors. Further, provisions must be included to ensure that U.S. farmland, which is the most productive land in the world, is not idled or afforested in response to carbon sequestration incentives. Doing so would reduce U.S. and global food security and could encourage the development of unsustainable foreign land to meet the market needs. Those market needs can be met through increased productivity from existing agricultural land in the United States. U.S. farmers have demonstrated that they can increase production on existing acres to meet new market needs without increasing land in agricultural production. Recent yield increases above the trend line show that U.S. agriculture is accelerating their productivity gains with new technologies.

Farmers may benefit if biomass-based energy sources are supported to replace fossil fuels. However, current efforts and policies seek to undermine and limit agriculture-based bioenergy sources. Soy biodiesel is one of the cleanest-burning biofuels in commercial use today. It is a renewable and sustainable energy source that can play a significant role in our national efforts to increase our energy security and improve our environmental footprint. Existing uncertainties and constraints on soy biodiesel and biofuels should be addressed to ensure there can be a viable biofuels industry and sufficient renewable biofuels production to replace fossil fuels and provide market stability for soybean farmers.

Legislative Priorities

To reduce the uncertainty to agriculture and promote stability and competitiveness for U.S. food, feed, and renewable bioenergy production, the American Soybean Association believes the following principles and provisions must be enacted as part of, or in conjunction with, climate change legislation:

1. Agriculture should be exempt from any emissions cap. Attempts to cap agriculture's two million farms and ranches in climate change legislation would be costly and burdensome, and result in greater costs than any associated benefits. Subjecting farms to an emissions cap would also impose costs that could result in increased food prices and adversely impact domestic and global food security.
2. A cap on emissions in the United States must be contingent upon meaningful participation by developing countries (China, India, Brazil, Argentina, Malaysia, etc.) and other major emitting countries in an international agreement to cap greenhouse gas (GHG) emissions. An international agreement should place U.S., other developed economies and developing countries on similar timeframes for emissions reductions and include strict compliance and enforcement mechanisms. Strong international participation is necessary to U.S. competitiveness and to ensure that there are overall global emissions reductions. Action solely by the U.S. would likely have minimal or no impact on global emissions. The legislation should include a trigger that makes implementation of the U.S. emissions cap contingent upon conclusion and ratification of an international agreement.
3. The legislation should be designed to comply with our trade obligations. Tariffs and other mechanisms that create World Trade Organization (WTO) problems must be avoided.
4. Food and feed processors, including soybean processing facilities, should be provided allowances like other energy intensive and trade sensitive industries (such as glass, steel, cement, fertilizer, corn and sugar processors, etc.). The allowances should be distributed proportionately to each industry's historic emissions, thereby mitigating the direct and indirect impacts on all regulated industries. Such a proportionate allocation would assist industries making the challenging transition to a low-carbon economy.
5. Funding for a more energy and cost efficient transportation system. Funding for transportation infrastructure, such as locks and dams on the Upper Mississippi River, should be provided to improve transportation of agricultural goods and products. Funding for transportation infrastructure is needed to maintain a competitive advantage on transportation costs. Expansion of barge shipping capacity would also provide significant emissions reductions. Barges generate fewer emissions and get more miles per gallon than shipping by rail or truck. In 2007, Congress authorized over \$3.5 billion for the Navigation Ecosystem Sustainability Program (NESP) on the Upper Mississippi River. Of this amount, \$1.9 billion is for construction of seven new locks. Full funding should be provided to start construction in 2010 and ensure timely completion of the transportation efficiencies projects on the Upper Mississippi River.
6. The biodiesel tax incentive should be made permanent or extended on a long-term basis. The current short-term and tenuous status of the biodiesel tax incentive does not provide the market stability and certainty needed to promote long-term investments and market development.
7. Legislation must include provisions to address the use of international indirect land use analysis and the definition of renewable biomass within the implementation of the Renewable Fuel Standard. Specifically, EPA should be prevented from going forward with flawed and untested indirect land use calculations and the unnecessary feedstock certification requirements.

8. A portion of funding from the emission allowances should be provided for research and development programs at the U.S. Department of Agriculture, specifically the National Institute for Food and Agriculture (NIFA). NIFA funding would support and promote appropriate research on all aspects of agricultural productivity, including food security, bioenergy, environment and natural resources. Support for the NIFA mission will help us address the challenges of efficiently and sustainably producing the food, feed, fiber, and renewable fuel to meet the growing world demand.
9. Cap and trade legislation should include a workable agricultural offsets program. Priorities for the offsets program include:
 - a. Avoid and prevent loss of cropland. Agricultural offsets must be targeted toward practices that will allow working lands to remain in production. Provisions and safeguards must be included to prevent the conversion of cropland to forest or other carbon offsets. The conversion of crops to forest or grassland would take out of production valuable land that can be used to produce food, feed, fiber *and* fuel, potentially resulting in a reduction of the food supply; increasing food prices for the poor; encourage the development of unsustainable foreign land to meet the short term market needs that could otherwise be met by increased productivity on U.S. cropland; increasing the United States' reliance on food imports from countries that may not be participating in a greenhouse gas emissions program; and decreasing U.S. agricultural export competitiveness as land values and rental rates for cropland increase.
 - b. USDA should administer the agricultural offsets program. USDA has the statutory authority provided in the 2008 Farm Bill, the institutional resources, and the technical expertise necessary to create and administer an agricultural offsets program that works for production agriculture. The Department has a track record of working with farmers, as well as studying, modeling and measuring conservation and production practices that sequester carbon and that promote appropriate manure management and nutrient application on agricultural lands.
 - c. Include initial list of project types that are eligible agricultural offsets. Including an initial, non-exhaustive list of project types that will be available to lower the costs of a climate change program is necessary to provide more certainty to both the regulated community and the agriculture sector
 - d. Recognize and compensate early actors. Producers who have previously taken steps that sequester carbon or reduce emissions should not be excluded from compensation for future offsets that occur as a result of these ongoing efforts.
 - e. Stackable credits. Many practices undertaken to reduce GHG emissions will provide additional public benefits, such as clean water, wildlife habitat, and reduced soil erosion. Projects participating in a GHG offsets market should not be excluded from also participating in other markets for environmental services that currently exist or may arise in the future. Allowing producers to “stack” credits will maximize the economic viability of carbon sequestration. In addition, new climate change programs should complement existing conservation programs within the Farm Bill.