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Subject: draft model rule RGGI comments from NY Farm Bureau

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Regional Greenhouse Gas Initiative Working Group

Transmitted via e-mail to rggicomm@gw.dec.state.ny.us <mailto:rggicomm@gw.dec.state.ny.us>

: Draft Model Rule

Dear Working Group Members,

New York Farm Bureau, the state's largest general farm organization, appreciates the opportunity to comment on the Draft Model Rule for the Regional Greenhouse Gas Initiative (RGGI). Our farm family members are optimistic that, as stewards of our natural resources, their businesses can play an important role in the RGGI process. In doing so, they have the opportunity to not only assist in offsetting and sequestering greenhouse gas emissions but also to diversify farm income and increase farm sustainability.

New York Farm Bureau is pleased that the RGGI has listed two agricultural practices, afforestation and manure-generated methane destruction, as initial qualifying offset categories. We believe however that in addition to these two categories, other agricultural management practices which can be proven to reduce greenhouse gas emissions and sequester greenhouse gases should be eligible categories. This could include, among others, the use of reduced or no-till cultivation practices, establishment of vegetative buffer strips, further management of manure and precision feeding for animals. With over twenty-five percent of New York's land area being dedicated to agricultural use, adding additional offset categories in the agricultural sector could greatly increase the amount of carbon credits available for offset use.

For the two existing categories and any additional agricultural categories, it is our belief that the program design should recognize the unique environmental nature of an agricultural operation. Almost every management action performed on a farm has multiple environmental benefits. For example the destruction of methane not only reduces greenhouse gases but also results in a renewable source of energy that will displace a fossil fuel source. Vegetative filter strips can not only sequester carbon but also protect water quality and serve as wildlife habitat. Additionally the Initiative should recognize that farming is a business and in order to facilitate adoption of a greenhouse gas destruction or sequestration project, such a project must make sound financial sense. We believe that the only way to do this under the current market situation is to allow the farm to be rewarded for all of the positive environmental benefits a project contributes. From an 'intent' standpoint, many farm projects would in fact only go forward if the farmer could be certain that their were multiple funding steams to make the project economically viable. We therefore support allowing systems to participate in multiple funding steams such as the RGGI program, the Renewable Portfolio Standard, System Benefits Charge and Natural Resource Conservation Service (NRCS) conservation programs.

The Working Group indicates that allowing projects to participate in multiple funding programs may require further "financial additionality." We believe that since each funding stream will be providing funding in the amount of the value to society for specific and differing environmental externalities, such "financial additionality" in unnecessary. In fact, restricting funding streams ultimately will hinder wide-based adoption of carbon sequestration and destruction management practices that are beneficial, for multiple reasons, on farms. We do agree that there is a responsibility of the regulatory agency to ensure that a farm is not receiving multiple payments for the same specific benefit. Again, in many situations, a farm will only adopt new management practices if they are financially beneficial. Particularly in high capital-cost projects such as methane digesters, a full recognition of all environmental benefits may be necessary to achieve this financial viability.

A key component to ensuring that farms are able to appropriately obtain payment for the benefits they are providing is to make sure the mechanism is in place to allow them to participate in each of the various programs. In order to facilitate this, we recommend the Model Rule very clearly tie ownership of all initial environmental credits to the farm. We also believe that the environmental attributes for methane digesters should be very clearly separated into renewable energy credits and greenhouse gas destruction credits. Additionally, the model rule should specify that only specific management systems are covered by the RGGI program, not the entire farm. This would allow farms to participate in other trading programs, including CCX, for management systems that are currently not recognized as off-set categories by the RGGI.

We strongly encourage the administering agency and working group members to have a solid understanding of the true economic cost, including any opportunity costs, associated with farms transitioning to new environmental management systems. This understanding should come in part through contact with industry support organizations and companies familiar with agricultural economic and financial analysis. One way to facilitate this would be the establishment of an agricultural advisory committee.

Under the RGGI Draft Model Rule, only projects initiated after December 20, 2005 would be eligible to participate in the RGGI program. We recognize the reasoning behind establishing this date. We do however encourage the Working Group to also include for eligibility, projects that undergo "substantially modifications" after December 20, 2005. Specifically for methane digesters, there is a limited life span for the mechanical parts. As mentioned above, replacement of these parts, for example an engine-generator set, can be substantially cost-prohibitive. Since a new digester may not be feasible without guaranteed funding streams, including one for carbon credits, it is very important that these systems be included in the RGGI eligibility. For purposes of methane destruction, we would appreciate a clarification of "initially commenced" for eligibility purposes. We support this term referring to the commencing of methane capture and destruction in order to quickly create the destruction credits necessary to implement the RGGI.

New York Farm Bureau also believes that substantial management modifications to existing forest land following December 20, 2005 that increase the ability of the forest to sequester carbon, should make those lands eligible for the afforestaion off-set category. In this way, we will be able to more efficiently utilize existing forests and in doing so, achieve higher levels of carbon sequestration more rapidly. We recognize the importance of having a forest management plan to ensure appropriate environmental stewardship. We do request that within the Draft Model Rule, the Tree Farm certification program also be listed specifically with Sustainable Forestry Initiative and Forest Stewardship Council as appropriate management systems. Since all three of these programs are widely used throughout New York and have been demonstrated to effectively forest resources, all three should be specifically eligible to provide maximum landowner participation.

New York Farm Bureau commends the participatory states for moving forward with this important initiative. We again appreciate the opportunity to comment on the Draft Model Draft and the Working Group's consideration of these comments. If you have any questions or concerns, please do not hesitate to contact our offices.

Sincerely,

John R. Tauzel

Regulatory Coordinator