

# (carbon)plan

NOV 01 2021

RE: USDA CLIMATE-SMART AGRICULTURE AND FORESTRY (CSAF)  
PARTNERSHIP PROGRAM

RESPONSES TO QUESTIONS 1, 3e, 4, 5b, 6b, 7, & 8a/b/c/d

Dear USDA staff and policymakers,

Thank you for the opportunity to respond to the request for information on the proposed Climate-Smart Agriculture and Forestry (CSAF) Partnership Program.<sup>1</sup>

Our comments today focus on the interaction between the CSAF Partnership Program and the growing market for carbon offsets. For context, CarbonPlan is a nonprofit research organization dedicated to improving the transparency and scientific integrity of carbon removal and climate solutions through open data and tools. Our comments are informed by extensive research on voluntary and compliance carbon market standards. This includes an assessment of seventeen soil carbon offset protocols,<sup>2</sup> a peer-reviewed study on the largest forest offsets compliance market in the world,<sup>3</sup> and our independent public analysis of leading corporate carbon removal procurement processes.<sup>4,5</sup>

## **Question 1: How would existing private sector and state compliance markets for carbon offsets be impacted from this potential federal program?**

The most important impact is the risk of scaling counterproductive and wasteful claims in today's offsets markets, which suffer from well-documented quality control problems and

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<sup>1</sup> USDA, CSAF Partnership Program, 86 Federal Register 54,149 (Sept. 30, 2021).

<sup>2</sup> CarbonPlan, Soil carbon protocol database (2021).

<sup>3</sup> Grayson Badgley et al., Systematic over-crediting in California's forest carbon offsets program, *Global Change Biology* (in press, open access).

<sup>4</sup> Freya Chay et al., New lessons from reviewing carbon removal proposals, CarbonPlan (May 26, 2021).

<sup>5</sup> Freya Chay et al., Insights from analyzing a new round of carbon removal projects, CarbonPlan (Mar. 17, 2021).

financial conflicts of interest.<sup>6</sup> We agree that public investments designed to create climate-positive outcomes, such as the proposed CSAF Partnership Program, offer important opportunities to advance climate policy goals in the agricultural and forestry sectors. Public investment is needed to support wise land management practices, but if deployed through the mechanism of carbon offsets, public investment has the potential to undermine the environmental integrity of climate claims made through double-counting and non-additional crediting activity. The better approach is to design a public funding program that pays directly for those land management approaches the USDA seeks to support.

Current offset standards are very weak. Our recent analysis of soil carbon market standards concluded that no existing protocol provides a meaningful screen for additionality, i.e. the core requirement that offset projects cause new climate benefits and not just capture business-as-usual outcomes.<sup>7</sup> Investigative reporters and conservation experts have drawn similar conclusions in the compliance and voluntary forest carbon offsets markets as well.<sup>8,9,10</sup> Even large market participants are increasingly acknowledging the problem of low standards, the lack of high-quality supplies, and the costs of searching and screening in these contexts.<sup>11</sup>

The lack of meaningful additionality standards is a concern because detailed reporting from prominent journalists has documented examples of non-additional crediting involving USDA-funded land management practices.<sup>12</sup> By selectively identifying landowners who have already made beneficial management changes — brought about by public funding — some carbon offset developers have claimed non-additional climate benefits that were caused not by offset credit sales, but by USDA funding.

If the CSAF Partnership Program were to provide funding while also allowing program participants to claim carbon offsets for the same activities funded by USDA, there would be a significant and substantial risk of non-additional crediting. The lack of meaningful additionality standards in the carbon offsets markets and the documented history of offset project

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<sup>6</sup> For an example of financial conflicts, see James Temple, [Why we can't count on carbon-sucking farms to slow climate change](#), *MIT Technology Review* (June 3, 2020).

<sup>7</sup> Jane Zelikova et al., [A buyer's guide to soil carbon offsets](#), CarbonPlan (July 15, 2021).

<sup>8</sup> Lisa Song and James Temple, [A Nonprofit Promised to Preserve Wildlife. Then It Made Millions Claiming It Could Cut Down Trees](#), *ProPublica* and *MIT Technology Review* (May 10, 2021).

<sup>9</sup> Ben Elgin, [These Trees Are Not What They Seem](#), *Bloomberg Green* (Dec. 9, 2020).

<sup>10</sup> Charles Canham, [Rethinking forest carbon offsets](#), Cary Inst. of Ecosystem Studies (May 19, 2021).

<sup>11</sup> Lucas Joppa et al., [Microsoft's million-tonne CO<sub>2</sub>-removal purchase — lessons for net zero](#), *Nature* 597: 629-32 (Sept. 30, 2021).

<sup>12</sup> For example, the offsets developer GreenTrees reportedly targeted landowners who participated in USDA's Conservation Reserve Program and marketed non-additional offset credits based on beneficial land management changes caused by USDA funding. See Ben Elgin and Zachary Mider, [The Real Trees Delivering Fake Corporate Climate Progress](#), *Bloomberg Green* (Dec. 17, 2020).

developers making non-additional claims about land management practices supported by USDA funding both raise major concerns. We believe these risks counsel in favor of designing the CSAF Partnership Program to directly fund and procure the outcomes it seeks — rather than allowing for complex and ultimately unnecessary interactions with carbon offset markets.

**Question 3e: Should the USDA consider hybrid approaches where the GHG benefit could be assigned to a climate-smart commodity, or separated and sold as a voluntary carbon offset?**

No. The CSAF Partnership Program should instead be designed to provide adequate support for climate-smart commodities on its own, without the need for offsets-related funding. Any CSAF funds flowing to projects that generate voluntary carbon offsets would substantially increase the risk of non-additional crediting outcomes, and effectively become subsidies for offset purchasers (who no longer bear the full costs of inducing climate-friendly land management choices via offsets) rather than a targeted mechanism to support producers of climate-smart commodities. As a result of these risks, we urge the USDA to avoid any program designs that allow carbon offsets to be sold based on projects funded with public dollars.

The CSAF Partnership Program should instead directly procure the climate benefits it seeks. This could involve the use of third-party standards to measure project and program outcomes, so it need not exclude all actors in the conventional offsets industry — but it should clearly designate the climate outcomes as public goods, rather than double-marketed private claims. Similarly, the direct government procurement of climate benefits does not preclude advertising the features of the climate-smart commodity for compliance and procurement standards in markets at home and abroad; instead, we suggest the USDA need only clarify that others cannot justify their ongoing emissions on the basis of climate-smart features funded with public money.

Thus, a producer of a climate-smart commodity could receive CSAF funds, use rigorous and USDA-approved standards for documenting outcomes that might even be drawn from existing private markets, and also credibly demonstrate that a CSAF-supported commodity complies with production standards that might be required by export markets or domestic buyers. There is no need to involve carbon offsets in the process, whereas any decision to allow offsets to follow from CSAF funding raises significant risks of non-additional climate outcomes.

To ensure that CSAF Partnership Program goals are robust, and to protect against the possibility of double-counting in private offset markets, the USDA should require projects receiving CSAF funds to legally commit to the activities that earn them CSAF funding. Similarly, offset standards should recognize that legal commitments to specified activities do not meet “legal additionality” requirements to issue offsets for the same activities.

**Question 4: In order to expand markets, what entities should be eligible to apply for funding through the CSAF Partnership Program?**

Carbon offset developers should not be eligible for CSAF funding for the reasons given above. To be clear, this does not mean that the USDA cannot allow or rely on third-party standards to document climate outcomes; the use of rigorous measurement methods contained in the better voluntary standards is entirely compatible with a government procurement strategy that does not issue or allow carbon offset credits.<sup>13</sup> In other words, if the USDA determines that an existing third-party standard robustly measures climate outcomes, it could allow this standard to be used to document project benefits for the purposes of direct government procurement.

**Question 5b: Should USDA establish a consistent payment per ton of GHG generated through these partnership projects as part of the project payment structure, or evaluate a range of incentive options?**

The USDA's answer should depend on (1) whether the USDA decides to allow carbon offset credits to be generated by projects that receive CSAF funding (which we oppose), and (2) whether the USDA wants to induce changes in behavior or is focused instead on compensating all who make beneficial climate choices, including those that are already making these choices in the absence of the payment (which we see as a legitimate policy choice in the absence of carbon offsets).

If the USDA chooses to allow offsets to be issued by CSAF-supported projects or is separately focused on inducing new behaviors, then the USDA should consider using a range of incentive levels. To have the highest likelihood of inducing new outcomes, payments should be standardized by the needs of the sub-sector or activity that is supported and calibrated to levels that make it likely that program participants change behaviors.

If the USDA prefers to establish a consistent payment, however, it should carefully evaluate whether the price point is high enough to induce additional climate benefits or whether it is too low to do anything but capture business-as-usual outcomes.

Because offset market prices are generally quite low, especially in comparison to the variability in commodity and input prices that drive the economics of the agricultural and forestry sectors,

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<sup>13</sup> For example, our [soil carbon protocol review](#) identified four protocols with top scores for sampling rigor: protocols from the Australian government, BCarbon, the Food and Agriculture Organization, and Verra's Soil Carbon Quantification Methodology (VM0021).

low offset prices are often associated with non-additional climate outcomes.<sup>14</sup> As a recent commentary published by Microsoft’s leadership and leading academic scholars noted, “[t]oday’s pricing on a per-tonne basis encourages companies to buy the lowest-quality carbon offsets.”<sup>15</sup> Thus, low prices are not necessarily a sign of market success, but also of the political economic challenges holding back the supply of high-quality credits.

We encourage the USDA to consider how establishing higher payment levels can help address both producer needs as well as improve the quality of climate claims — whether pursued through carbon offsets (which we oppose) or public procurement processes designed to encourage climate-smart land management decisions that are not feasible without additional incentives (which we support as a desirable outcome).

**Question 6b: What should the quantification, monitoring, reporting, and verification requirements for projects funded through the CSAF Partnership Program be?**

We believe that a careful review of existing carbon offset protocol standards is needed before considering working with any of these approaches for quantification, measurement, reporting, and verification in the context of the CSAF Partnership Program. As discussed above, there are significant concerns associated with the additionality standards in both voluntary and compliance offset markets, for both agricultural and forest offset applications.

We believe that the CSAF should be designed to directly procure climate-smart commodities and prohibit the separate marketing of offset credits based on the same activities. As indicated above, however, this need not rule out using existing standards to quantify or monitor climate-related program outcomes.

When it comes to soil carbon offsets in particular, however, we urge the USDA to take notice of the wide and concerning range of methods in use for soil carbon measurement today.<sup>16</sup> We systematically reviewed existing protocol standards in a recent report, as did the Environmental Defense Fund (whose work on this topic we commend).<sup>17</sup> Methods in today’s markets span

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<sup>14</sup> For example, a vice president of the carbon offsets developer Indigo reportedly indicated her view that today’s offsets prices aren’t sufficient to capture anything but existing interest in climate-aligned agricultural management practices. See Nathaniel Johson and Ysabelle Kempe, [The US is about to go all-in on paying farmers and foresters to trap carbon](#), *Grist* (July 7, 2021).

<sup>15</sup> Lucas Joppa et al., [Microsoft’s million-tonne CO<sub>2</sub>-removal purchase — lessons for net zero](#), *Nature* 597: 629-32 (Sept. 30, 2021).

<sup>16</sup> CarbonPlan, [Soil carbon protocol database](#) (2021).

<sup>17</sup> Emily Oldfield et al., [Agricultural soil carbon credits: Making sense of protocols for carbon sequestration and net greenhouse gas removals](#), Environmental Defense Fund (2021).

abstract, model-based calculations that risk misstating climate outcomes<sup>18</sup> to scientifically robust sampling requirements that empirically monitor soil carbon changes.<sup>19</sup>

To the extent the USDA seeks to rely on existing market standards to quantify or monitor climate-related outcomes, we strongly urge the USDA to choose only the most rigorous approaches and to avoid remote-sensing and other techniques for calculating soil carbon content that are not established in the peer-reviewed literature at this time.

**Question 7: How should ownership of potential GHG benefits that may be generated be managed?**

As discussed above, we believe the government should directly procure the climate benefits associated with CSAF funding and ensure that sufficient funding is available to induce the outcomes the program seeks to achieve. The government should require projects to legally commit to the activities for which they earn CSAF payments to ensure that no double-counting of projects' climate benefits occurs in voluntary markets.

**Questions 8, 8b, 8c, and 8d: How can USDA ensure that CSAF Partnership projects are equitable and strive to include a wide range of landowners and producers? [Including historically underserved producers, historically underserved communities, and producers more generally.]**

The USDA should consider setting minimum spending levels that ensure a certain minimum level of spending reaches targeted groups, such as historically underserved producers and communities.

The USDA should also consider providing direct funding to targeted program participants, rather than relying on complex carbon offsets. Carbon offsets require multiple market intermediaries, such as project developers and credit brokers. These intermediaries' expertise is necessary to create value in opaque and illiquid markets, but they take cuts of total project value, often in situations where there are imbalances in information and market access between commodity producers and specialized offsets intermediaries. The result is that fewer public dollars reach producer and community groups.

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<sup>18</sup> For example, the carbon removal marketplace Nori uses purely model-based calculations that estimate carbon changes only in the top 20cm, when in fact processes affecting deeper soil layers can have significant effects on net carbon stock changes. See Eric Slessarev et al., [Depth matters for soil carbon accounting](#), CarbonPlan (June 17, 2021).

<sup>19</sup> For example, the Australian government's soil carbon protocol uses a detailed soil sampling methodology to track actual observed changes to soil carbon following a change in management practices. See Freya Chay and Danny Cullenward, [Additions to our analysis of soil carbon protocols](#), CarbonPlan (Oct. 13, 2021).

To prioritize the interests of historically underserved producers and communities, as well as producers more generally, the USDA should look to directly support these groups with a minimum of complexity. The USDA should also clearly indicate the payment structure(s) of CSAF programs to ensure that producers and communities understand what share of the overall value stream a market intermediary demands to help a producer or community document compliance with program requirements.

**Question 8a: How can the CSAF Partnership Program include early adopters of CSAF practices?**

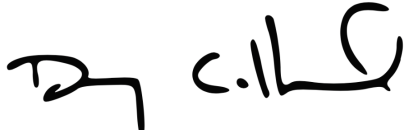
Some actors in the agricultural and forestry sectors have already adopted beneficial land management practices, and reasonably seek to be compensated for the public benefits they create. The tension in crediting these actors lies in the claims they or others might seek to make about the additionality of these public benefits.

Early adopters of climate-smart practices are already generating climate benefits today, and therefore any CSAF payments to these actors do not directly expand the total number of climate benefits. This is not an argument against compensation, but about clearly separating the purpose and mechanism of any such payments.

If the USDA elects to prohibit carbon offsets from CSAF-funded projects, it can set eligibility rules for CSAF payments in whatever manner balances its competing interests in supporting early actors and inducing new management practices. However, if the USDA allows CSAF-funded early adopter projects to separately market offset credits, then these projects will deliver non-additional climate outcomes — despite the fundamental promise that offset credits are issued to exclusively reflect additional climate benefits. As we expressed in our answer to Question 1, we are concerned that this could be one of the biggest impacts on today's offsets markets from the USDA's well-meaning engagement in this important policy area.

Finally, in seeking to balance the interest in causing new climate benefits to happen along with the goal of compensating early actors who may have taken market risks to produce climate-smart commodities, we recommend the USDA explicitly designate explicit expenditure budgets. These budgets should separate funds used to compensate early adopters, however that term is defined, from those expenditures intended to support new adopters.

Thank you for the opportunity to submit comments. We would be glad to meet with USDA staff if we can be helpful as you develop the CSAF Partnership Program.



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