

Stabenow Clean Energy Partnerships Act Summary

TITLE I—Offset Credit Program for Domestic Emission Reductions

Overview: Division of Authority Between EPA and USDA

The U.S. Department of Agriculture (“USDA”) has primary authority over domestic agriculture and forestry projects, and the Environmental Protection Agency (“EPA”) has primary authority over all other types of projects.

Throughout the Bill, provisions designate that a function is to be carried out by the “appropriate official.” Under this formulation, the “appropriate official” is the Secretary of Agriculture if the context is a domestic agriculture or forestry project; it is the Administrator of the Environmental Protection Agency under any other circumstances.

The Bill incorporates certain departures from this approach. For example, as discussed below:

- The two agencies will work together on standards for verification and verifier accreditation.
- EPA and USDA will work together to make decisions on early actor credits and early standards for offset investments.
- EPA is the lead agency for issuing credits – in consultation with USDA for domestic agriculture and forestry projects – but this is merely an administrative function with no authority over project approval. Only one agency should act as the “bank” for credits and to ensure that overall program logistics run smoothly.

Section 102—Advisory Committee

An Advisory Committee will provide recommendations to both USDA and EPA on project types and standards to apply.

The Committee shall be composed of scientists, academics, experts of agriculture and forestry as well as members of land grants universities, business, NGOs, and government.

The Committee shall issues a report on prospective offset projects to guide rulemaking and shall comment on rulemaking and the integrity of the overall program.

Section 103--Establishment of the Program to Credit Emission Reductions from Uncapped Sources

This section directs both EPA and the USDA to establish the program “in accordance” with the Act, and therefore with each carrying out the functions assigned to it throughout the Act. It clearly identifies the authority of USDA.

In carrying out the program, EPA and USDA shall protect the emission reduction integrity of the program. The agencies also are directed to ensure consistency in requirements for the categories of projects under their respective purviews.

Section 104—Eligible Project List

This section directs each appropriate official to establish an initial list, which must include project types “including” an inclusive list of project types in agriculture and forestry.

Petitions may be filed at any time to add projects to the list.

There are also criteria for the removal of a project. For example, a project may be removed if such an activity becomes “predominant” or is mandated by law.

Section 105—Requirements for Offset Projects

This section creates the authority to develop methodologies and standards to govern project activities. Not later than 1 year after enactment, the appropriate agencies shall develop standards giving priority to projects with well established methodologies.

Standards to Ensure Quality All projects must be determined to be additional, have baseline to measure results, prevent leakage of emissions, and have certainty that they can be measured.

Project Start Date. In short, to be considered “additional,” a project must have commenced after January 1, 2009, *except for* projects started after January 1, 2001, *and* that have been registered under a program approved under the early offset supply provisions under section 110.

Accounting for Reversals (Sequestration Insurance). Sequestration projects must account for the risk of reversals whether intentional or unintentional. For all types of reversals the Secretary must choose at least one mechanism to account for such risk using either an offset reserve, insurance or another mechanism deemed appropriate. In addition, short-term contracts for the landowner may be considered. Finally, an intentional reversal carries a penalty of 1.5 replacement credits or allowances per ton lost.

Crediting Period. Under the Bill, the crediting period for a forestry project type can be up to 30 years, and agriculture projects can be a few as 5 years. Other than forestry, no crediting period may be longer than 10 years, but project developers may petition for a new one at the end of a period.

Stackability of Credits (Potential to earn additional conservation payments). The Bill states that nothing in the requirements provisions will “preclude an offset project from meeting the requirements of this section . . . only because the relevant activity . . . receives an additional payment from another source for an ecological service other than emission reductions.” This allows a landowner to earn payments for additional ecosystem benefits and through other conservation programs.

Preexisting Methodologies (Current Offset Programs). Both agencies are required to consider existing methodologies.

Section 106—Project Approval

The Bill directs the agencies to determine the quantity of emissions reduced or avoided upon submission of a petition and verification of the proposed activity.

The agencies have 30 days to approve the petition and verification.

Section 107—Verification Standards

USDA and EPA must jointly create a set of standards that will apply to verification and independent verifiers.

This will ensure consistent and clear rules for verification of all project types.

Section 108—Issuance of Offset Credits

EPA, in consultation with USDA, issues all credits to project representatives.

Issuance must take place within 14 days of the proper notification including both approval and verification.

Section 109—Audits and Review

Both agencies may conduct random audits and reviews of projects under their jurisdiction.

At a minimum each agency shall conduct audits and reviews for a “representative sample of project types.”

Section 110—Early Offset Supply

The Early Offset Supply provisions in the Bill allow for early investment in emission reductions and generation of offset supply in the early years of a cap-and-trade program.

Unlike other bills, all offset programs established before January 1, 2009 must be screened by EPA in conjunction with USDA according to a set of standards in order for their credits to be exchangeable for federal offset credits. This will create a fair and equitable test for all early actors, and will establish interim rules that project developers may use before federal rules are written for project types.

Projects conducted under interim rules may have crediting period of no longer than 10 years.

Under the Bill, the period for crediting can start as early as January 1, 2001 but it cannot *start* any *later* than the date the Federal regulations take effect.

There is a specific provision that precludes any double payment for emission reductions that occurred prior to January 1, 2009 and were rewarded under the Carbon Conservation Program.

Section 111—Program Review and Revision

EPA, in consultation with USDA, shall review, at least every 5 years, program mechanics such as project types, methodologies, accountability, and another requirement under this title.

Section 112—Additional Regulatory Standards for Emission Reductions

EPA may not promulgate any additional regulatory standards for emission reductions for any project carried out under this title.

TITLE II—Carbon Conservation Program

Sections 201-203

The Bill contains a separate title that would use an allowance set-aside to fund a substantial incentive program for agriculture and forestry emission reductions and sequestration activities.

Projects undertaken with these funds are not eligible for offsets.

Department of Interior shall coordinate funds for grazing contracts on public lands.

The purposes of this program are to:

- Reward the continuation of practices by early adopters of conservation practices such as no-till farming that provides carbon benefits.
- Support the development of new methodologies for landowners to participate in offset projects.

- Improve management of privately owned lands that result in an increase in carbon sequestration.
- Avoid conversion of land that would otherwise result in carbon emissions.
- Support actions to adapt to climate change.
- Improve management on federal lands to increase sequestration of carbon.

Mechanisms to carry out these practices include conservation easements, sequestration contracts, and timber or grazing contracts, with 30% of all funds being used on conservation easements.

Priority will be given to conservation easements to protect forest land and native prairie as well to sequestration contracts for early adopters of conservation practices.

The provisions include reporting requirements to measure and monitor results.

The Secretary of USDA may use this program to coordinate activities under a variety of current conservation programs.

TITLE III—Rural Clean Energy Resources

Section 302—Biorefinery Assistance

Dedicates allowances to expand implementation of section 9003 of the Farm Security and Rural Investment Act of 2002.

Section 303—Repowering Assistance

Dedicates allowances to expand implementation of section 9004 of the Farm Security and Rural Investment Act of 2002.

Section 304—Rural Energy for America Program

Dedicates allowances to expand implementation of section 9007 of the Farm Security and Rural Investment Act of 2002.

TITLE IV—Agriculture and Forestry Research for Greenhouse Gas Mitigation

Section 402—Research and Demonstration Program

Dedicates allowances to carry out research and demonstration activities regarding:

- Approaches to sequester carbon
- Approaches to reduce methane emissions

- Approaches to reduce nitrous oxide emissions
- Approaches to adaptation to maintain productivity of agriculture and forestry practices
- New approaches to soil sequestration such as biochar