



U.S. DEPARTMENT OF AGRICULTURE



## Justification Report:

# USDA Intent to Establish the Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program

Prepared in support of the Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program

February 2024

## **Justification Report**

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#### **Background**

The Consolidated Appropriations Act of 2023 (the Act), enacted on December 29, 2022, authorized establishment of a Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program (the Program) at the U.S. Department of Agriculture.

The Act directed the Secretary of Agriculture to conduct an assessment on several topics relevant to voluntary agriculture and forestry carbon markets. USDA completed this assessment and published its findings in *A General Assessment of the Role of Agriculture and Forestry in the U.S. Carbon Markets* on October 23, 2023 (USDA, 2023). Following publication of the *General Assessment*, on November 13, 2023, the Secretary made the determination to establish the Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program (the Program).

The Act calls on the Secretary to “publish a report describing the reasons for such determination,” including how the Program would or would not further each of the following purposes:

1. Facilitating the participation of farmers, ranchers, and private forest landowners in voluntary environmental credit markets.
2. Facilitating the provision of technical assistance, through covered entities, to farmers, ranchers, and private forest landowners to help overcome barriers to entry into voluntary environmental credit markets.
3. Ensuring that participating farmers, ranchers, and private forest landowners receive fair distribution of revenues derived from the sale of an agriculture or forestry credit.
4. Increasing access for farmers, ranchers, and private forest landowners to resources relating to existing voluntary environmental credit markets, including information relating to the basic market structure and the various roles and qualifications of different parties.

This Justification Report explains USDA’s rationale in moving forward to establish the Program and describes how the Program will further the purposes in the Act.

#### **Introduction**

The *General Assessment* provides an overview of barriers to producer participation in carbon markets, and a discussion of USDA’s role in facilitating participation. The barriers identified in the report include limited return on investment; high transaction costs, including

quantification, verification, and reporting costs; discounting and conservative accounting of benefits generated; limited opportunities for early adopters to access markets; stringent permanence requirements; small scale of agriculture projects; market confusion; and lack of demand (USDA, 2023).

The Program cannot address all these barriers and USDA lacks statutory authority to establish a carbon offset or carbon credit program. However, the Program will enable USDA to reduce market confusion by serving as a trusted authority on relevant carbon market information. The Program will provide educational resources and greater transparency of agriculture and forestry carbon credit market opportunities in the United States. Given the current concerns and inconsistencies with carbon market programs, the Program can help provide context and increased certainty around qualified market actors and expected market outcomes.

The Program will also provide information on basic market structure and roles and qualifications of different entities within carbon markets, as well as contact information for qualified Technical Assistance Providers and Third-Party Verifiers. In addition, the Program will list widely accepted protocols that are designed to ensure consistency, reliability, effectiveness, efficiency, and transparency. USDA views these criteria as useful in establishing the market attributes of carbon credit protocols needed to generate climate mitigation and create benefits for farmers, ranchers, and private forest landowners. Collectively, these actions can facilitate market participation.

### **Market Confusion**

*A General Assessment of the Role of Agriculture and Forestry in the U.S. Carbon Markets* identifies several barriers to farmer, rancher, and private forest landowner participation in voluntary carbon credit markets, including confusion over the options available.

The proliferation of agricultural carbon credit programs with varying requirements has created confusion among producers. A 2022 McKinsey survey found that 39 percent of farmers are not participating in a carbon program because they do not understand the programs (McKinsey & Company, 2022). Similarly, a report by American Farmland Trust suggests that the recent creation of many carbon programs and subsequent merging or discontinuation of some of these programs have contributed to producer uncertainty and hesitancy to participate. Differences in data requirements, practice eligibility, compensation, and obligation periods among the different carbon programs make it difficult for producers to understand what they need to do to access programs and what benefit they would receive from participation (Parkhurst, Moore, Wright, & Perez, 2023). The lack of consistency among the various carbon programs makes it challenging for producers to compare requirements and determine the potential return on investment of each of the programs to decide which program may be the best fit for their operation.

## **Addressing Congress's Objectives Through the Act**

The sections below describe the ways in which the Program will address Congress's stated objectives for farmers, ranchers, and private forest landowners in the Act.

### **Addressing Objective 1: Facilitating the participation of farmers, ranchers, and private forest landowners in voluntary environmental credit markets**

The Greenhouse Gas Technical Assistance Provider and Third-Party Verifier Program can help address confusion and facilitate participation by providing comprehensive, trusted, and current information on voluntary carbon credit programs and protocols. The Program will achieve these objectives in three ways: First, it will evaluate and list widely accepted protocols that are used to generate carbon credits in voluntary markets; second, it will provide points of contact for interested farmers, ranchers, and private forest landowners; and third, it will list qualified Third-Party Verifiers.

#### Evaluate and List Protocols

Protocols are standards under which carbon credits are generated. They include requirements for participant eligibility and which sources of emissions must be included. Protocols also include procedures for measurement, monitoring, reporting, and verification of greenhouse gas (GHG) reductions or carbon sequestration. These procedures form the basis of programs in which farmers, ranchers, and private forest landowners can participate to generate carbon credits. Therefore, protocol design can influence program accessibility, outcomes, adoption rates, and overall success.

Through the Act, USDA is required to post on its website a comprehensive list of protocols that are designed to ensure consistency, reliability, effectiveness, efficiency, and transparency. To do this, USDA will seek public comment. Following this, USDA will establish evaluation criteria and select protocols to list based on these criteria. By evaluating and listing protocols on its website, USDA will signal what makes a protocol work for the environment and for farmers, ranchers, and private forest landowners. The criteria will also serve as a resource for protocol developers as they update or develop new forestry and agriculture protocols.

#### A Comprehensive List of Technical Assistance Providers

The Program will provide contact information for Technical Assistance (TA) Providers and specify in which protocols and geographic areas the TA Providers have expertise. TA Providers work directly with farmers, ranchers, or private forest landowners. Oftentimes, producers rely on a TA Provider to support them in implementing sustainable land use management and livestock practices that prevent, reduce, or mitigate GHG emissions. A TA Provider can help producers navigate eligibility requirements, data collection and recordkeeping, and other activities needed to participate in a carbon credit or offset project. USDA's list will enable producers to find a point of contact who works in their area, has

expertise in their production system, and can help them understand how a carbon credit or offset project might fit within their operations.

#### A Comprehensive List of Third-Party Verifiers

The Program will provide a list of Third-Party Verifiers. Third-Party Verifiers are entities unaffiliated with carbon projects, carbon registries, and carbon programs that independently assess whether carbon projects correctly followed the requirements in carbon offset or credit protocols. While Third-Party Verifiers are generally contracted by the project developer rather than the individual producer, providing this list will facilitate producer participation by making it easier for project developers to find a qualified Third-Party Verifier that operates in a carbon project's geographic area.

#### **Addressing Objective 2: Facilitating the provision of technical assistance, through covered entities, to farmers, ranchers, and private forest landowners to help overcome barriers to entry into voluntary environmental credit markets**

The Program's list of qualified TA Providers will help producers overcome barriers to entry into voluntary carbon markets. Prior to listing, USDA will determine widely accepted qualifications for TA Providers. Qualifications may include demonstrated experience with carbon market programs and technical expertise in categories such as production methods, data collection and recordkeeping, or carbon market procedures. USDA will seek public input to determine TA Provider qualifications.

To be listed on USDA's website, TA Providers must demonstrate how they meet specified qualifications. Establishing qualifications for TA Providers will benefit producers and broader carbon market development. First, producers will be able to trust USDA-listed TA Providers because they will have assurance that listed entities and individuals have the appropriate education, experience, and expertise to help them implement new practices and complete carbon program requirements. Second, by specifying TA Provider qualifications, USDA can promote consistency in the carbon market and communicate areas in which assistance is needed. Voluntary carbon markets are still emerging, so an early signal on qualifications for key market actors can help potential TA Providers identify areas in which they can develop their expertise.

#### **Addressing Objective 3: Ensuring that participating farmers, ranchers, and private forest landowners receive fair distribution of revenues derived from the sale of an agriculture or forestry credit**

USDA will have limited ability to ensure that participating farmers, ranchers, and private forest landowners receive fair distribution of revenues derived from the sale of an agriculture or forestry carbon credit. While the Act gives USDA discretion to list widely accepted protocols for generating carbon credits, revenues associated with the sale and purchase of carbon credits are not always dictated by protocols but rather result from market forces: supply, demand, and willingness to pay for carbon credits. Further, lack of data availability will hinder USDA's ability to evaluate project revenues and producer compensation. Carbon

project developers and registries generally do not disclose the price at which carbon credits are sold or the price paid to producers that implement a carbon project.

Despite these limitations, USDA can review protocols to assess their efficiency in producing carbon credits, i.e., the ability of protocols to keep transaction costs low. USDA is required by the Act to publish a general assessment report every 4 years and to establish an Advisory Committee. USDA will use both the report and Advisory Committee to continue to evaluate producer revenues.

Finally, the Program may have a modest impact on transaction costs by providing transparent and comprehensive information on TA Providers and Third-Party Verifiers. The availability of this information may create an opportunity for project developers and producers to shop for the best and most cost-effective TA Provider.

#### **Addressing Objective 4: Increasing access for farmers, ranchers, and private forest landowners to resources relating to existing voluntary environmental credit markets, including information relating to the basic market structure and the various roles and qualifications of different parties**

USDA has expertise in voluntary carbon market structure, participation, and roles. The Program allows USDA to improve access to information pertaining to the voluntary carbon market. USDA plans to provide information about carbon programs, registries, and protocols that can help producers navigate options, find qualified TA Providers, and overcome barriers to participation. These resources may address participant questions about how carbon markets function as well as what common practices and procedures are included in carbon market protocols, and may suggest questions to ask when considering a carbon project. USDA will seek input from stakeholders, including producers on its Advisory Committee, to ensure that information provided is useful to addressing farmer, rancher, and private forest landowner needs.

#### **Leveraging Other USDA Programs to Respond to Carbon Market Barriers**

The Program provides an opportunity for USDA to facilitate farmer, rancher, and private forest landowner participation in carbon markets. Other USDA programs also support carbon market participation and development. USDA offers technical assistance, outreach, and education; conservation programs; innovative grants and partnerships; and support for farm and ranch infrastructure. These programs collectively provide technical and financial support that helps producers integrate climate-smart practices into their operations.

USDA is making investments to improve quantification of sources and sinks of GHGs from agriculture and forestry activities. These investments include advancing the science to quantify GHG impacts of agricultural and forestry management activities, developing and advancing models and tools for quantifying GHG sources and sinks from agriculture and forestry, and improving data products that can be used to establish regional baselines. In 2022, through the passage of the Inflation Reduction Act, USDA received \$300 million to improve quantification of GHGs from agricultural sources. Over the next 8 years, USDA will

invest in science and research, establish a soil carbon monitoring network, and improve remote sensing and data products that can be used in the quantification of GHGs.

## **Conclusion**

The Secretary's decision to establish the Program was based on his determination that the Program will address the objectives in the Act to lessen barriers to voluntary carbon market participation and create new opportunities for farmer, ranchers, and private forest landowners. USDA will solicit public comment prior to Program implementation. USDA will periodically report to Congress on its progress in implementing the Program, including publication of carbon market resources. USDA will also continue to review barriers to voluntary carbon market participation and explore potential solutions.

USDA believes carbon markets have the potential to address climate change and provide new economic opportunities for farmers, ranchers, and private forest landowners. To realize this potential, the protocols underpinning these markets must be consistent, reliable, effective, efficient, and transparent. The Program will provide an opportunity for USDA to help ensure that carbon markets benefit the environment as well as farmers, ranchers, and private forest landowners.

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