

May 4, 2009

To All Members, House Energy & Commerce Committee

Dear Representative:

Your committee has begun in earnest the task of grappling with the issue of establishing a nation-wide cap on carbon emissions from sources in the United States. As you proceed with this work, the American Farm Bureau Federation wishes to share with you our perspective on this important matter, and, in particular, the potential impact of a cap-and-trade program.

The debate over climate change is wide-ranging, with enormous social and economic implications. It encompasses scientific discussions over the radiative properties of CO₂, the economic impact on low-income communities, the trade policies implicated when nations have differing environmental standards, the scientific analysis of earlier periods in the earth's climatologic and geologic history, the pace at which energy technologies can produce commercially available renewable energy, the role of nuclear power, and the interaction of myriad environmental variables, such as the ocean, wind, water vapor, sunspot activity and others. The broad range of issues has engendered tremendous debate – which, is ongoing, even within the scientific community.

Congress is not called upon to make scientific determinations but it is imperative that the policies you adopt are based on sound science and the best analyses available. Further, the policy choices you make must minimize economic dislocation, particularly for small businessmen like farmers and ranchers who will unquestionably face higher costs but who have, at best, limited ability to pass costs on to consumers.

As the nation's largest general farm organization, Farm Bureau has spent a great deal of time analyzing this issue and how proposals to resolve it might affect the agricultural sector. In our view, a number of key points emerge as the most critical aspects of this debate. We outline these points below. Over the last several weeks, we have evaluated with great care the discussion draft now before the committee in light of these principles. Unfortunately, we have found that, in large measure, the draft bill fails to meet these threshold criteria; we have indicated out these deficiencies below. We strongly urge the committee to rectify these shortcomings as you proceed in modifying the bill. Only legislation firmly based on sound, generally accepted science and following these principles has the chance of achieving broad acceptance and securing environmental gains without crippling our economy.

#1: Benefits must outweigh costs.

Estimates of a cap-and-trade program vary, yet all agree that it will entail tremendous costs, enormous reallocation of public and private dollars, diminution of certain economic activities in favor of others, potential implications for international trade, and a structural realignment not only of how we utilize energy but how our economy functions. Given the magnitude of such a shift, the committee must make certain that the legislation meets this threshold test. Analysis by EPA suggests revenues generated by auction sales could exceed \$200 billion in 2040 alone and will clearly total in the hundreds of billions of dollars over the life of the proposed bill. We have little doubt the discussion draft would impose large, long-term, net costs on U.S. agriculture. This failing must be remedied.

#2: Legislation must “plug the hole” created by lost energy sources.

Cap-and-trade is a mechanism to first artificially create then allocate shortages of some public good. The discussion draft creates this shortage but does not provide a replacement. This is a critical shortcoming. Before a carbon emissions reduction/cap-and-trade program takes effect, Congress must have assured that our nation has in place alternative energy supplies that will “plug the hole” created by the loss of carbon-based energy. At a minimum, there should be a trigger in the bill that makes a carbon emissions reduction program contingent on bringing on line a specified level of gigawatts of replacement power. Nuclear power is an obvious candidate for such replacement power. While the RES provision provides some measure of future supply, in and of itself it is not sufficient to remedy the shortage. The legislation must make provision for identified, ready-to-use sources of power that will either be on line or ready to be powered up before the cap-and-trade program is implemented.

#3: Enact a Renewable Electricity Standard

Farm Bureau supports a robust renewable electricity standard (RES). Renewable energy should be part of the broader portfolio to “plug the hole” created by a cap-and-trade program and must be an integral part of any legislation.

#4: A global issue requires a global response.

If the science truly defines the problem as global, then a global action plan is the only appropriate response. A decision by the U.S. Congress to adopt an ambitious program in the absence of binding commitments from other nations (such as China and India) would be a critical policy failure. There should be a trigger in the legislation that makes any cap-and-trade program contingent upon multilateral action. This is one of the signal shortcomings in the bill: it would have the United States undertake an enormous reform of our energy and economy without any

guarantee of similar commitments by other countries. Such an approach would severely threaten the agricultural sector.

#5 Agriculture must not be capped.

The discussion draft does not include agriculture among the industry sectors that are capped. This is particularly important for our sector if we are to be able to continue producing the food and fiber needed by our nation and the world. We strongly oppose any effort to cap agriculture. We are pleased to see that the legislation does not cap agriculture.

#6 No Clean Air Act regulation of greenhouse gases

Any carbon emissions reduction bill must include explicit language eliminating EPA regulation of GHG's under the Clean Air Act. While the legislation appears to adopt this approach, Farm Bureau notes that adoption of this stance should not be contingent on agreement of a cap-and-trade program. We would support the committee moving legislation immediately to clarify this important matter.

#7: No carbon tax.

Farm Bureau strongly opposes any imposition of a carbon tax as a means of addressing the issue of carbon emissions. We are pleased the legislation does not include such a tax.

#8 Agriculture's ability to sequester carbon must be maximized.

Agricultural offsets must be included in the range of offset projects available to regulated entities. Further, for an agricultural offset program to succeed, it must embody several principles:

- It should fully recognize the wide range of carbon reduction and sequestration benefits agriculture can provide. These include tillage practices, forestry, fertilizer and pesticide management, livestock manure management and other activities.
- Early adoptors should be recognized and rewarded for their efforts.
- There should be no artificial limit on the amount of credits available to offset carbon emissions.
- Criteria for offsets should recognize the unique nature of agriculture. This will be important in developing what is "additional" or "permanent."
- Agricultural practices must not be regulated.

This is one of the most serious shortcomings in the bill. It fails to provide agriculture the certainty and support needed to make an agriculture offset program work. We strongly urge that such provisions be incorporated, and we would be pleased to work with the committee in crafting such a title.

#9 **USDA must have a leadership role.**

The U.S. Department of Agriculture (USDA) has both the institutional resources and technical expertise necessary to effectively administer any carbon offset allowance program. It must be authorized to do so. Unfortunately, the discussion draft fails to take advantage of this resource.

The committee is undertaking a difficult task and has before it a long list of policy decisions to make. The potential for tremendous harm to U.S. agriculture is real, and Farm Bureau urges the members of the committee not to set out on a course that is harmful to the American economy as a whole and to agriculture specifically. We stand ready to work with members on both sides of the aisle as you grapple with these questions so that the final product accomplishes its goal without damaging our economy and our ranches and farms.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bob Stallman', with a long horizontal flourish extending to the right.

Bob Stallman
President