FARMERS BUSINESS NETWORK
388 EL CAMINO REAL, SAN CARLOS, CA 94070

December 3, 2022

Internal Revenue Service
CC:PA:LPD:PR (Notice 2022-58)
Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, DC 20044

Subject: Farmer's Business Network, Inc. comments in response to Department of Treasury Request for Comments on Credits for Clean Hydrogen and Clean Fuel Production, Notice 2022-58

To Whom it May Concern,

Thank you for the opportunity to comment on the Clean Hydrogen and Clean Fuel Production tax credit. The Clean Fuel Production tax credit that takes effect after December 31, 2024 presents a significant opportunity to further decarbonize biofuel production. Through the incorporation of granular carbon intensity determinations and implementing farm level accounting within the biofuel lifecycle, the Administration can choose to become a leader in decarbonizing fuels and providing incentives for farmers to be a significant part of that progress. Farmer's Business Network, Inc. (FBN®) and Gradable LLC (Gradable®) encourage you to do so.

FBN-Gradable is an independent agriculture technology platform and farmer-to-farmer network with a mission to power the prosperity of family farmers around the world, while working towards a sustainable future. Our network consists of over 50,000 North American farmer members comprising over 100 million acres. FBN launched Gradable to provide technology and services to growers and buyers to facilitate the scoring, sourcing, and pricing of Low-Carbon Grain, building the infrastructure to make environmental transparency in the agriculture supply chain a reality. Furthermore, FBN has launched partnerships with both POET and ADM to use the Gradable platform across their grower networks in order to provide the mechanism for individual farmers to reflect and verify farm level carbon intensity scores of their grain.

Now that we have the data technology for verifiable farm-level carbon accounting, as well as the research to show it is effective, and the real-world experience of analogous LCFS policies successfully reducing emissions, we believe that any new program should afford farmers the same opportunities to reduce emissions that are afforded to fuel producers.

We encourage your consideration of incorporating farm-level carbon accounting for the following reasons:

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Climate imperative

According to the U.S. EPA, approximately 5% of U.S. emissions are the result of crop production – about twice that of the entire commercial aviation industry. Measuring and reducing the carbon impact of crop production through voluntary incentive based practice changes is urgently needed and growers must be brought into decarbonization efforts now if we hope to meet future emission reduction goals.

According to Argonne National Laboratory, adopting best practices alone (before soil organic carbon is accounted for) leads to a 35% decrease in carbon intensity. Argonne's GREET model, which Treasury is required to use under Sections 45V and 45Z, incorporates farm-level accounting and estimates an emissions factor for "highest emitting practices" of 33.3 gCO2e/MJ of ethanol and -15.9 gCO2e/MJ for "lowest emitting practices," revealing significant potential to lower carbon intensity.

We have seen that if growers are provided incentives for making carbon intensity reducing growing practice changes they will both engage in those activities and see verifiable carbon intensity reductions.

Timing is right

Recent advances in and adoption of agriculture data technology makes farm-level carbon accounting possible today because farm-level data and associated technology is now accessible and verifiable, while also enabling a third party to collect that information without overburdening the farmer.

It is inevitable that nearly all clean fuels standards will incorporate emissions reductions associated with feedstock production through farm-level accounting, so it makes sense to build this into the Clean Fuel Production tax credit from the start. Adjusting CI default averages will likely be necessary to balance the reductions associated with farmers who opt-in to providing their farm-level data. It will be easier and less disruptive for Treasury working with the Department of Energy to implement such mechanisms when starting the program rather than after it has been launched.

The Clean Fuel Production tax credit can do for the farmer what the credits have already done for biofuel producers: provide a financial incentive for verifiable reductions in greenhouse gas emissions. Failing to include farm-level accounting while allowing facility-level accounting could convey to farmers that the U.S. Government does not value their participation in its clean fuels efforts.

The Inflation Reduction Act of 2022 provided the framework for developing field level carbon accounting. The Clean Fuels Production tax credit as well as the Sustainable Aviation Fuels tax credit provide greater tax credit opportunities as a fuel source reduces its carbon intensity profile. The work that Argonne has done in regard to allowing the GREET model to validate farm level scoring, means that this federal incentive for farm level carbon intensity accounting is a viable pathway for emissions reductions.

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New but very manageable addition to low carbon fuel efforts

Treasury can implement a Farm-level carbon accounting policy fairly easily by starting the program with limited variables that are easily verifiable and emissions reductions that are clearly understood. These include fertilizer, pesticides, and fuel usage.

Treasury can and should seek guidance and advice from experts at Argonne National Lab, the Union of Concerned Scientists, and others who have considered the impacts and design elements of such a policy. Argonne scientists and others have recently published significant pieces on these topics.[1] [2]

To implement granular carbon intensity scoring, we would encourage Treasury to incorporate into the tax schedule what scientific experts at the Department of Energy are able to develop in regard to granular pathways. We would envision that auditing and verification would take place in line with existing audit frameworks.

Farmers should have opportunity for voluntary inclusion in carbon intensity reducing programs

The LCFS in California and other jurisdictions have shown that aligning a program's carbon reduction objectives to incentivize behavior will successfully achieve reductions across the industry. Farmers are eager to participate in these programs and are willing to provide the necessary verifiable data but require a consistent market signal to de-risk investments in conservation.

Concerns have been raised that allowing farmers to benefit by reducing their emissions will only reward existing high performing growers. This is the same concern raised about fuel producers under the California LCFS program when it was first proposed. That concern has proven unfounded, and biofuel producers have reduced their emissions and have been able to reap the rewards for doing so. It is unjust and unfair for farmers to not be afforded that same opportunity now that the technology to do it and the research to support both exist.

[1] https://www.pnas.org/doi/full/10.1073/pnas.2022666118
[2] Xinyu Liu et al 2021 Environ. Res. Lett. 16 064055, https://iopscience.iop.org/article/10.1088/1748-9326/ac018f/pdf

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Thank you for your time and attention. We look forward to working with you on these matters and we offer our help and support in any way we can.

Sincerely,

Farmer's Business Network, Inc.,

DocuSigned by:
Steele Lorenz
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Steele Lorenz
Head of Sustainable Business