May 12, 2023

Mr. Jahi Wise
Acting Director for the Greenhouse Gas Reduction Fund
U.S. Environmental Protection Agency

Dear Mr. Wise,

The undersigned organizations are writing to provide comments on the implementation framework for the Greenhouse Gas Reduction Fund (GGRF) as representatives of America's farmers, ranchers, forest owners and foresters as well as supporting organizations that share an interest in fostering voluntary market incentives for climate-smart agriculture and forestry.

U.S. farmers, ranchers, forest owners and foresters are at the forefront of efforts to provide climate solutions. But we cannot do it alone. Further reducing greenhouse gas emissions throughout the agricultural and forestry supply chain will require a comprehensive effort involving financial and technical assistance, research investments, proactive response to innovation, public-private partnerships, and a commitment to equitable opportunities for all producers.

This vision from U.S. agriculture and forestry stakeholders shows great potential to meet the U.S. EPA's program objectives for the GGRF: to reduce emissions of greenhouse gases and other air pollutants; to deliver benefits to American communities, particularly low-income and disadvantaged communities; and to mobilize financing and private capital to stimulate additional deployment of greenhouse gas- and air pollution-reducing projects.

Given the strong alignment of these goals, agriculture and forestry representatives are exploring opportunities to participate in the GGRF funding competitions when they are announced. In particular, the implementation framework for the National Clean Investment Fund competition shows promise for the inclusion of climate-smart agriculture and forestry projects. To ensure that climate-smart agriculture and forestry projects are eligible in the Notices of Funding Opportunities (NOFOs), we have the following recommendations:

- The implementation framework for the National Clean Investment Fund competition defines three priority project categories: distributed power generation and storage, decarbonization retrofits of existing buildings, and transportation pollution reduction. In addition, it states that "EPA expects to provide each applicant with flexibility to invest in additional project categories." While some agricultural and forestry projects might fit into the existing priority project categories, opportunities to reduce greenhouse gas emissions and sequester carbon through changes in farm, forest and ranch management would more appropriately fall under additional project categories. **We urge the U.S. EPA to clarify in the NOFO that additional project categories that meet the overall goals of the fund, such as climate-smart agriculture and forestry projects, should be included in proposals.**
- The implementation framework states that grantees will provide financial products (including but not limited to loans, equity investments, loan guarantees, credit enhancements, forgivable and partially forgivable loans, purchase of loans, lines of

credit, and debt with equity features) and supporting predevelopment expenditures to qualified projects. We encourage U.S. EPA to clarify that financial products and supporting predevelopment expenditures can be allocated through collaboration between grantees and other financial institutions, such as agricultural financial institutions. Farmers, ranchers, forest owners and foresters are financed primarily by regional and community banks and cooperative credit associations throughout the country, and relationships between producers and their lenders are often trusting and long-term. **For climate-smart agriculture and forestry to participate effectively in GGRF opportunities, it is essential that GGRF funding is allowed to flow through the financial institutions that already finance agriculture and forestry.** In addition, we recommend against limits on the size of these transactions to allow for collaborations of a variety of types and sizes, and that any reporting requirements be carefully considered and limited so that they do not overly burden financial institutions participating and the farmers, ranchers, forest owners and foresters who are ultimately making use of the financial products.

- The implementation framework for the National Clean Investment Fund competition also states that 40% of benefits from this competition must accrue to communities identified as disadvantaged through the Climate and Economic Justice Screening Tool (CEJST), consistent with the Justice40 Initiative. It also notes that in the NOFO, EPA "expects to provide additional guidance on the definition of low-income and disadvantaged communities that may also incorporate geographically dispersed low-income households… located outside of geographies identified by CEJST." As above, it is likely that some rural communities will be classified as disadvantaged through the CEJST. **However, in developing the additional guidance to incorporate geographically dispersed low-income households, we encourage EPA to consider how that guidance can equitably incorporate U.S. farmers, ranchers, forest owners and foresters generally, as well as producers who are categorized as "socially disadvantaged" by the U.S. Department of Agriculture.**

We also write to share examples of climate-smart agriculture and forestry projects that would benefit from GGRF funding. These include:

- Soil health transition loans that can be structured to support grain farmers through the 3-to-5-year process to adopt practices like no-till, cover crops, and efficient fertilizer and herbicide use which can reduce greenhouse gas emissions and sequester carbon. Market research shows 50% of farmers would be interested in such loans if an interest rate reduction was included.
- A Midwest farm-supply and grain cooperative is exploring the feasibility of installing a solar grid using underutilized space at its facilities to switch the company's energy use from fossil fuels to renewables.
- A Northeast dairy cooperative is looking to incorporate solar energy into its processing operations to make their supply chain more sustainable.
- Reforestation projects: Private sector demand for forest carbon credits is strong. However, reforestation projects account for just 4.15% of the forest acres on these registries. Landowners say costs associated with developing reforestation projects are the single most important reason for their low enrollment in voluntary carbon registries. Loan or bond guarantees could reduce the cost of capital financing for reforestation

carbon projects, which would address the most significant barrier to developing these projects.
- Additional examples of innovative finance opportunities in agriculture can be found in Field to Market's report, Financial Innovations to Accelerate Sustainable Agriculture: Blueprints for the Value Chain.

In conclusion, U.S. farmers, ranchers, forest owners and foresters are well-positioned to deliver climate solutions that meet the objectives of the GGRF. We encourage EPA to publish a NOFO for the funding competition that is inclusive of climate-smart agriculture and forestry projects and rural communities.

Sincerely,

American Farm Bureau Federation

Environmental Defense Fund

Farm Credit Council

International Fresh Produce Association (IFPA)

Iowa Soybean Association

National Association of State Departments of Agriculture (NASDA)

National Council of Farmer Cooperatives (NCFC)

National Milk Producers Federation (NMPF)

Soil & Water Outcomes Fund

The Nature Conservancy (TNC)