



USDA REGENERATIVE FEEDSTOCK RULE

POSITION SUMMARY

After fully engaging in the rule development process, ICGA supports the USDA's Regenerative Feedstock Rule. The Rule establishes a framework to connect regenerative agriculture practices to new markets within the biofuel supply chain for corn, soybeans, sorghum, and spring canola. The practices and calculation of carbon intensity from USDA will eventually feed into the 45Z tax credit for biofuels to determine the qualifications of a low carbon corn supply and a low carbon biofuel.

WHAT WE LOVE

Scoring on a field level

Farmers manage each field independently, as each field has its own geography, soil type, & weather patterns. Because different conservation practices are used for different fields, field-level scoring allows each acre to be recognized on its own merits.

Integrating livestock farmers

Allowing grazing of cover crops and inclusion of manure recognize the importance of the livestock and grain cycle that built Illinois's valuable soil.

Evaluating Nitrogen Use Efficiency

Nitrogen Use Efficiency (NUE) is a better way to measure appropriate nitrogen applications, as it scales according to the productivity of the land. NUE rewards farmers for practices that lower carbon intensity per bushel of corn.

Actual vs. Expected Yield

Farmers report actual production or, if yields fall more than 20% below expected due to extreme weather or other uncontrollable events, use an expected yield (such as one based on crop insurance history). All corn yields are standardized to 15.5% moisture for consistency.

MASS BALANCE VS. BOOK & CLAIM

IL Corn supports a book & claim system for documenting low-CI score corn. A book & claim system would generate an asset for farmers to implement CI-lowering practices that is independent of the physical grain. That asset could be sold into the marketplace.

The book & claim system allows more farmers to participate in the new market opportunities offered by a tax credit. It also increases the transparency of the value of that asset.

The system currently outline in the Regenerative Feedstock Rule is a mass balance system. This opens the new market opportunity up only to farmers who are close enough to an ethanol plant to deliver their low-CI score corn directly to the plant.

The mass balance system is much less transparent, as each individual purchaser gets to define the value of the low-CI score corn and the practices the farmer has invested in.

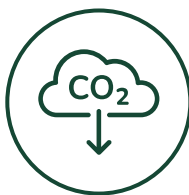
IL Corn is currently participating in a pilot project demonstrating the use of a book & claim system in the U.S. The USDA indicates openness to evaluating this system.

BENEFITS OF FARMERS PARTICIPATING IN CI LOWERING MARKETS



Decarbonizes Global Markets

Enables lower-emission U.S. products to displace higher--emitting alternatives around the world



Delivers Real, Measurable Benefits

Incentivizes emissions reductions where production occurs – driving global emissions down



Strengthens U.S. Competitiveness

Positions the U.S. as the global leader in clean energy and innovative climate solutions

BARRIERS TO CONSERVATION ADOPTION

Limited flexibility of programs

Flexibility for farmers to implement the conservation practices that work for their regions, soil types, and budgets is present in this rulemaking – a big win for agriculture.

Economic stability

Experimenting with new practices threatens the economic stability of the family farm. Adding a book & claim accounting system to the 45Z tax credit will allow all farmers to capture additional income from the adoption of specified conservation practices.

Land ownership vs. land tenancy

In Illinois, a high percent of land is not owned by the farmer/operator. Because this rule focuses on field-level scoring, farmers will be included in the opportunity even if one landowner does not wish to invest the capital in conservation management.

Limited availability of technical assistance

A small expansion of the definition of “technical assistance” in this rule will help farmers better access the expertise they need.

BACKGROUND

Building a 45Z tax credit

While the tax credit is under the jurisdiction of the U.S. Department of the Treasury, other agencies have been consulted as well. The U.S. Department of Transportation is involved because the 45Z tax credit will be based on the production of low carbon intensity fuels. The U.S. Department of Agriculture is providing guidance on how crops that are used for fuel production might be grown in ways that lower their carbon intensity, as well as how to build a carbon intensity score for our agricultural feedstocks.

What happens next

Now that the USDA has released the Regenerative Feedstock Rule and the calculators that support it, the U.S. Department of Transportation and the U.S. Department of Treasury must evaluate what the USDA has provided and determine how to integrate the guidance and calculators into the final rulemaking. Essentially, the Regenerative Feedstock Rule is step one of a three step process. However, for farmers, getting the USDA guidance correct was an extremely important step.

Precedent setting rulemaking

The USDA Regenerative Feedstock Rule represents the first time conservation practices have been identified and a framework has been created for their scoring. Once final, this rulemaking becomes the baseline framework from which future policies regarding the production of low-CI score crops are built.