Federal Policy Landscape for Natural Climate Solutions

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Bipartisan Policy Center Energy Program

Combining the best ideas from both parties to promote health, security, and opportunity for all Americans.

BPC’s Farm and Forest Carbon Solutions Initiative advances innovative climate and conservation policies that deliver economic and environmental benefits across rural America.

https://bipartisanpolicy.org/farm-forest-carbon-solutions-initiative
Why Natural Climate Solutions?

Natural climate solutions bolster production and promote cleaner air and water, greater drought resilience, improved wildlife habitat, carbon storage, and increased rural economic opportunities.

BPC Farm and Forest Carbon Solutions Task Force Co-Chairs

Heidi Heitkamp  
Former Senator (D-ND)

 Saxby Chambliss  
Former Senator (R-GA)

Federal Energy & Climate Policy Wins of the Last Few Years

<table>
<thead>
<tr>
<th>Energy Act of 2020</th>
<th>Setting the stage: First comprehensive energy bill in 13 years, focus on energy innovation.</th>
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<tbody>
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<td>Regional investment &amp; infrastructure: Clean energy demonstration and R&amp;D.</td>
<td>Market incentives: Extends existing tax credits and creates new credits.</td>
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Infrastructure Investment & Jobs Act of 2021 (or Bipartisan Infrastructure Law)

Inflation Reduction Act of 2022 (IRA)
What energy and climate provisions did Congress enact?
Federal Policy Pathways for Natural Climate Solutions

Appropriations

Legislation

Executive Actions

Agency Budgets & Program Implementation

Congress OKs Climate, Energy, Water Spending in $1.5T Bill

Biden signs $1.2T funding package after partial shutdown thwarted

Executive Order on Tackling the Climate Crisis at Home and Abroad

Executive Order on Strengthening the Nation's Forests, Communities, and Local Economies

Regulatory Authorities
Key Federal Entities for Natural Climate Solutions
BPC Task Force Policy Recommendations

• Scaling public and private investments in natural climate solutions while reducing barriers to voluntary stewardship practices.

• BPC’s task force prioritized 6 policy categories:

  1. Conservation programs
  2. Technical assistance and workforce
  3. Voluntary carbon markets
  4. Finance & insurance
  5. Resilience
  6. Research & innovation
Global Demand for Carbon Credits Returns to pre-2021 Trends

Voluntary carbon market grew nearly 4x in 2021, approaching $2 billion, and has since reduced to $723 million, a figure larger than any year prior to 2021.

Figure 1. Voluntary Carbon Market Size, by Value of Traded Carbon Credits, pre-2005 to 2023
Forestry, land use, and agriculture credits command higher prices than other projects

Table 3. VCM Transaction Volumes, Values, and Prices, by Project Category, 2022-2023

<table>
<thead>
<tr>
<th>CATEGORY</th>
<th>2022</th>
<th>2023</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Volume (MtCO₂e)</td>
<td>Value (USD)</td>
<td>Price (USD)</td>
</tr>
<tr>
<td>Forestry &amp; Land Use</td>
<td>113.0</td>
<td>$11.1 B</td>
<td>10.14</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>92.7</td>
<td>$386.1 M</td>
<td>4.16</td>
</tr>
<tr>
<td>Chemical Processes/Industrial Manufacturing</td>
<td>13.3</td>
<td>$68.5 M</td>
<td>5.14</td>
</tr>
<tr>
<td>Household/Community Devices</td>
<td>9.1</td>
<td>$77.6 M</td>
<td>8.55</td>
</tr>
<tr>
<td>Energy Efficiency/Fuel Switching</td>
<td>6.6</td>
<td>$35.6 M</td>
<td>5.39</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.8</td>
<td>$41.7 M</td>
<td>11.02</td>
</tr>
<tr>
<td>Waste Disposal</td>
<td>6.2</td>
<td>$44.9 M</td>
<td>7.23</td>
</tr>
<tr>
<td>Transportation</td>
<td>0.18</td>
<td>$770 K</td>
<td>4.37</td>
</tr>
</tbody>
</table>

Note: EM cannot report an average price for Transportation credits in 2023 because of the confidentiality of individual EM respondent data.

Source: Ecosystem Marketplace, State of the Voluntary Carbon Market 2023
USDA Implementing the Growing Climate Solutions Act

• Helps farmers, ranchers, forest landowners understand and access voluntary carbon market; generate credits.

• Requires USDA to:
  • Publish lists of widely accepted industry protocols and maintain voluntary registries of entities that provide technical assistance and meet certain standards set by USDA.
  • Convene an Advisory Council to guide USDA, ensure program is effective, and suggest additional methods to reduce barriers to entry.
  • Assess the current state of carbon market opportunities for U.S. agriculture and forestry.
Considerations for a strong, functioning market

• **Robust supply:** Farmers, ranchers, and forest landowners need to be willing and able to participate in voluntary carbon markets. Return on investment needs to be good enough to incentivize participation.

• **Robust demand:** Credit purchasers need to have confidence in credit quality, that project risks have been adequately managed, and that at the end of the day they will be able to use the credits to support their goals.
New Bicameral Momentum, but Collaboration Needed on Farm Bill

• On May 1st, House Agriculture Committee Republican Chair GT Thompson (R-PA) released a high-level summary of his Farm Bill proposal.

• Senate Agriculture Committee Chair Debbie Stabenow (D-MI) followed with a full summary and section by section for her Farm Bill proposal.

• On May 23rd, the House Agriculture Committee reported their Farm Bill by a bipartisan vote of 33-21.

• Senate Agriculture Committee Ranking Member John Boozman (R-AR) is expected to release his framework for a Farm Bill soon.
Natural Climate Solutions and the Farm Bill

• Today’s production challenges are a call to action for Congress to update key programs in the 2024 Farm Bill. This includes:
  ▪ Meeting the high demand for voluntary conservation programs
  ▪ Doubling down on U.S. research and innovation
  ▪ Bolstering forestry programs and the seedling supply chain

https://bipartisanpolicy.org/conserving-our-land-growing-our-economy
Thank you!

https://bipartisanpolicy.org/energy

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