November 28, 2022

Re: Comments to the U.S. Department of Agriculture's (USDA) Rural Business—Cooperative Service (RBCS) and Rural Utilities Service (RUS) on implementation of Inflation Reduction Act (IRA) energy and biofuels provisions

Docket No.: RBS-22-NONE-0025
Document No.: 2022-23519

Dear Secretary Vilsack:

Taxpayers for Common Sense (TCS) and the National Wildlife Federation (NWF) provide the following comments to the U.S. Department of Agriculture (USDA) on implementation of certain Inflation Reduction Act (IRA) energy and biofuels provisions.

TCS is an independent, nonpartisan budget watchdog serving the American taxpayer. Since 1995, TCS has worked to ensure that taxpayer dollars are spent responsibly, and that government operates within its means.

NWF is America's largest advocacy-based conservation organization, with nearly six million members and supporters. NWF advocates for safeguards for communities and wildlife and supports evidence-based policymaking.

We appreciate the opportunity to comment on the implementation of certain IRA provisions, including the following sections:

(1) Section 22001 - Additional Funding for Electric Loans for Renewable Energy,
(2) Section 22002 - Rural Energy for America Program (REAP),
(3) Section 22003 - Biofuel Infrastructure and Agriculture Product Market Expansion, and
(4) Section 22004 - USDA Assistance for Rural Electric Cooperatives.

Our comments on these sections are provided in turn.

Section 22001. Additional Funding for Electric Loans for Renewable Energy

IRA specifies that $1 billion is provided for loans (including loan forgiveness) for renewable energy projects that store electricity. According to the notice for comment, "Pursuant to IRA all projects must be for build-out of energy conservation systems fueled by solar, hydro, wind, geothermal and biomass, as required by section 317 of the Rural Electrification Act (7 U.S.C. 940g), or for storage of such energy types." The notice for comment also states that "priority will be given to new construction of renewable infrastructure."

In implementing this provision, we urge USDA to ensure that projects with the potential to ***increase*** GHG emissions – such as burning wood for energy and related projects – do not receive taxpayer subsidies, including taxpayer-backed loans. Doing so would run counter to one of the overall goals of IRA – to meaningfully reduce GHG emissions - and may increase climate costs for taxpayers, instead of reducing them.

Section 22002. Rural Energy for America Program (REAP)

IRA provided $2.025 billion for REAP, which is in addition to mandatory and discretionary funding provided for the program through the farm bill.

REAP was created with the intention of funding rural renewable energy projects, including those for wind and solar. While most REAP funding over the past decade has been directed toward solar projects, USDA data from November 2010 to September 2021 also shows that REAP funding benefited the mature corn ethanol and soy biodiesel industries, in addition to woody biomass. Specifically, over this timeframe, the following amounts were spent on various types of bioenergy projects through REAP:

- $31.7 million was spent on ethanol blender pumps and corn ethanol facilities (including energy efficiency projects).
- $9.7 million was spent on biodiesel facilities.
- $32.7 million was spent on biomass projects, including woody biomass. In 2013, one project receiving taxpayer subsidies included a "feasibility study of a wood pellet manufacturing facility for domestic and international sale."

Additional taxpayer subsidies for food-based biofuels and the woody biomass industry may further distort markets, impact food and feed prices, and fail to significantly reduce greenhouse gas (GHG) emissions, which is one of the primary goals of IRA. Further subsidies for these industries would continue to waste taxpayer dollars on projects that likely ***increase*** – instead of ***decrease*** - GHG emissions, as detailed by numerous independent analysts and even the Environmental Protection Agency (EPA).

In making funding awards under REAP, USDA also "shall consider" various factors, including "the potential of the proposed program to produce energy savings and environmental benefits," as specified in 7 U.S. Code § 8107(b)(3)(D). A 2016 Congressional Research Service (CRS) report notes that ***biomass energy cannot be assumed to be carbon neutral***, and the use of biomass in energy and electricity production has been associated with negative air quality impacts as well. Additionally, with EPA's most recent Triennial Report to Congress on Biofuels and the Environment detailing negative impacts of corn ethanol on our nation's water, soil, and air quality, USDA should no longer direct taxpayer subsidies toward bioenergy sources that increase taxpayer costs and long-term liabilities for the climate and our environment.

Instead of providing "environmental benefits," certain biofuels and biomass sources like corn ethanol and forest-based woody biomass projects actually negatively impact the environment and climate. These industries should not receive additional federal support at taxpayers' expense.

Section 22003. Biofuel Infrastructure and Agriculture Product Market Expansion

Through various USDA programs, and a federal tax credit (the Alternative Fuel Vehicle Refueling Property Credit), biofuel infrastructure projects have been subsidized by US taxpayers for over a decade. IRA authorized additional spending for these types of projects.

As background, ethanol blender pumps were first subsidized through REAP in 2011. Congress later prohibited USDA from directing REAP subsidies toward these projects since lawmakers never explicitly authorized this use of taxpayer dollars. The prohibition on spending REAP dollars on ethanol blender pumps was added to the 2014 farm bill, but by then, already more than $3 million had been allocated to the mature ethanol industry.

Beginning in 2015, USDA created another biofuel infrastructure program, this time with funding from the Commodity Credit Corporation (CCC). (The CCC is a fund that is normally used to dispense farm subsidy payments, among other priorities.) In 2015, $100 million was announced for the Biofuel Infrastructure Partnership (BIP) program. In 2020, another $100 million was announced for a different, but similar, program entitled the Higher Blends Infrastructure Incentive Program (HBIIP). Then again in 2022, USDA announced yet another $100 million for biofuels infrastructure projects. Prior to enactment of IRA, ***federal spending on biofuel infrastructure projects – just within USDA programs – reached $303 million***, in addition to a duplicative federal tax credit.

Section 22003 of IRA authorized an additional $500 million for biofuels infrastructure projects, this time through a new provision entitled "Biofuel Infrastructure and Agriculture Product Market Expansion." At a minimum, when implementing this provision, spending should be made transparent to the public and taxpayers. Information about federally-funded projects – including locations, recipients, subsidy amounts, and detailed descriptions of the projects that taxpayers will be subsidizing - should be made publicly available in an easily accessible and digestible format (downloadable, searchable, etc.). This information should be posted on USDA's website in a timely manner as well so taxpayers know how IRA funding is being spent.

Section 22004. USDA Assistance for Rural Electric Cooperatives

In IRA, $9.7 billion was provided for loans and other financial assistance in Section 22004 (USDA Assistance for Rural Electric Cooperatives), aimed at achieving the following:

> *"… the greatest reduction in carbon dioxide, methane, and nitrous oxide emissions associated with rural electric systems through the purchase of renewable energy, renewable energy systems, zero-emission systems, and carbon capture and storage systems, to deploy such systems, or to make energy efficiency improvements to electric generation and transmission systems..."*

Given the past failure of both woody biomass energy facilities and carbon capture and storage (CCS) systems to achieve significant climate and taxpayer benefits, ***USDA should ensure that any loans or other financial support provided under Section 22004 does not waste taxpayer dollars or undermine IRA's goal of achieving meaningful reductions in GHG emissions***. USDA should specifically ensure that taxpayer dollars are not wasted on biomass projects that increase lifecycle GHG emissions, for instance, or on CCS projects that subsidize fossil-fuel intensive industries (such as oil and gas) or bioenergy sources that fail to reduce lifecycle GHG emissions.

Question 4 in the request for comments asks for feedback on the "most effective way to measure comparative reductions in carbon dioxide, methane and nitrous oxide emissions" pertaining to loans and other financial assistance provided under Section 22004. USDA should ensure that robust lifecycle GHG emission accounting is used when implementing this section, particularly the inclusion of emissions from direct and indirect land use change. These types of emissions are accounted for in other federal programs, including the Renewable Fuel Standard (RFS). Achieving the greatest reduction in climate-related emissions under this section will require a full and adequate accounting of both biogenic and non-biogenic GHG emissions associated with energy sources, in addition to ensuring that facilities burning wood for energy, for instance, are not assumed to be carbon neutral or zero-emission.[1] Studies assessing the carbon impacts of forest-based woody biomass note the many factors impacting emissions totals, "including feedstocks, alternate fate, time horizon and age of the trees used for fuel, production methods, and forest management regimes." These and other studies conclude that biomass cannot be considered to be "carbon neutral."

USDA should ensure that implementation of this provision in particular does not undermine IRA's goal (in Section 22004) of achieving the "greatest reduction in carbon dioxide, methane, and nitrous oxide emissions."

Conclusion

When implementing various Inflation Reduction Act provisions, the US has an opportunity to end past mistakes – including taxpayer subsidies for special interests and federal spending on counterproductive climate-related policies – and instead invest in ***real*** climate solutions. Our comments on IRA spending provide an opportunity to help right the ship and ensure US taxpayer dollars are spent more wisely.

Thank you for the opportunity to submit comments and for your consideration. Please let us know if you have any questions.

Sincerely,

National Wildlife Federation

Taxpayers for Common Sense

[1] As a paper by Alexander Barron et al. (2021) states, "However, treating all bioenergy as carbon neutral is not supported by the best available science. A 2012 report by EPA's Science Advisory Board concluded: "Carbon neutrality cannot be assumed for all biomass energy a priori…""