Nutrient Management Project Protocol

Credit Stacking Subcommittee Meeting #3
September 22, 2011
10:30 am – 12:30 pm PDT
Agenda

- Update on protocol development process
- Payment stacking with government programs
- Temporal stacking
- Revised timeline
- Next steps
Protocol Development Update

- Making progress on identifying eligible BMPs, quantification approach, aggregation
- Science Advisory Committee (SAC) met in early September
  - Meeting summary report to be released in October
- Comparative analysis of quantification options underway
- Performance threshold analysis to begin shortly
- Geographic focus areas still TBD
Protocol Development Update

- Revised list of BMPs recommended by SAC:
  1. Reducing N application
  2. Optimizing application timing
  3. Using nitrification inhibitors alone and combined with urease inhibitors
  4. Changing fertilizer composition
  5. Adding N scavenging cover crops into crop rotation

- Suggest focusing on payment stacking until BMPs/eligible regions are finalized
Payment Stacking

- USDA NRCS allows the sale of environmental credits from enrolled lands and “asserts no direct or indirect interest on these credits” (EQIP, 7 CFR §1466.36; CSP, 7 CFR §1470.37)

- All of the BMPs under consideration could receive funding from EQIP or CSP
  - BMPs are national “practice codes” that have state-specific “practice requirements”
  - Payment schedule is state-specific and assessed annually

- Implemented by states; availability of funding variable by state and even down to county level
EQIP/CSP Nuts + Bolts

- Farmer receives a set rate payment up to a maximum of $150,000/year from EQIP
  - Can then pursue CSP for additional support ($40K/year)
  - Some contracts are for multi-year payments (practice code specific)
  - Payments can “term out” after multiple years (like crediting period)
  - Set rate based on covering 50% of costs; higher for “historically underserved” (75%) or “limited resource” (90%) farmers
CA Nutrient Management - 590

Cost Data

Typical Implementation Scenario

This nutrient management practice scenario is for seasonally planted irrigated cropland in California. In order to receive this payment the landowner must complete the actions described in the "Practice Guidelines for Nutrient Management (590) - Nutrient Management Plan for Seasonally Planted Crops" prepared for the current EQIP year. This is available on SharePoint. Data source for cost information is review of current cost share contracts, discussion with NRCS field staff and private consultants.

Area Applicable to: Statewide

<table>
<thead>
<tr>
<th>Practice Life (Years):</th>
<th>1</th>
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<tbody>
<tr>
<td>Discount Rate (%/Year):</td>
<td>5%</td>
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<table>
<thead>
<tr>
<th>Material</th>
<th>Cost/Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soil test ($/Acre)</td>
<td>$12.00</td>
</tr>
<tr>
<td>Tissue testing ($/Acre)</td>
<td>$6.00</td>
</tr>
<tr>
<td>Record Keeping ($/Acre)</td>
<td>$10.00</td>
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<tr>
<td>Yield Data collection ($/Acre)</td>
<td>$6.00</td>
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<tr>
<td>Nutrient Management Plan ($/Acre)</td>
<td>$9.00</td>
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Equipment/Installation: $0.00

Payment Schedule Results

<table>
<thead>
<tr>
<th>Practice Code</th>
<th>Cost Share Program</th>
<th>Unit Type</th>
<th>Payment Rate</th>
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<tbody>
<tr>
<td>590</td>
<td>EQIP</td>
<td>Acre</td>
<td>$27.50</td>
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<tr>
<td>590</td>
<td>EQIP-LRF</td>
<td>Acre</td>
<td>$49.50</td>
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<td>590</td>
<td>EQIP-HU</td>
<td>Acre</td>
<td>$41.25</td>
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Total Cost Estimate: $55.00
Additionality Analysis Brainstorm

- Map protocol BMPs to practice codes
  - “Nutrient Management” (590) covers most of the BMPs
- Payment schedules lay out cost of implementation
- No public reports on enrollment by practice code

Questions
- Have payment schedules proven effective under EQIP?
- What information is available on enrollment, results of programs?
- How do you address cost curve of implementation?
Temporal Stacking

Scenario #1
- A PES has been received by the project developer for a BMP
- BMP has already been implemented
- Project developer is now seeking carbon credit for same BMP

Scenario #2
- BMP is implemented as a carbon project
- Project developer then seeks additional PES for same practice
Temporal Stacking

Potential policy approaches:

- Allow temporal stacking (both scenarios)
- Disallow scenario #1, allow scenario #2
- Disallow temporal stacking (both scenarios)

- *Is it temporal stacking if the PD received a PES for the same BMP, but is no longer receiving the other PES?*
Revised Timeline

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
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<tbody>
<tr>
<td>Subcommittee call 1</td>
<td>July 12</td>
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<tr>
<td>Subcommittee call 2</td>
<td>August 10</td>
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<tr>
<td>Subcommittee call 3</td>
<td>September 22</td>
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<tr>
<td>Workgroup meeting</td>
<td>Late October</td>
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<tr>
<td>Subcommittee call 4</td>
<td>Early November</td>
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<tr>
<td>Subcommittee calls 5+</td>
<td>Monthly as needed</td>
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<tr>
<td>Subcommittee to make recommendations to workgroup</td>
<td>TBD</td>
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<tr>
<td>Protocol draft for public comment</td>
<td>TBD</td>
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<tr>
<td>Final protocol for Board</td>
<td>Mid 2012</td>
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Next Steps

- Continue research on payment programs
- Distribute “concept/options” for your comment
- Share progress with workgroup in late October
- Next call – early November