



# WISCONSIN LEGISLATURE

P. O. Box 7882 Madison, WI 53707-7882

Policy Leaders from the Wisconsin Assembly and Senate seek public comment and input to improve public/private initiatives. The responses to this request will help in the development of a series of recommendations to be forwarded to respective Legislative committees for their consideration in early 2022.

Options will be considered to develop a series of policies, each intended to be evaluated on its merits as a stand-alone option AND collectively as a policy program. A support document will provide additional background, an overview of the proposal, and brief descriptions of the specific policy options under consideration. Comments are requested regarding the questions posed on the following topics:

- Carbon Accounting for Animal Agricultural Enterprises
- Nutrient Management and Biogas
- On-Site Energy Systems
- Carbon Offsets and Managing Carbon of Supply/Suppliers

The Wisconsin Agriculture/Carbon/Energy/Water (A-CEW) initiative, led by a public/private collaboration of Wisconsin Legislative leaders and private sector executives, is exploring a series of options for consideration of Legislative action in 2022 and beyond. This “Request for Comment” is intended to solicit responses from stakeholders regarding the scope and scale of the A-CEW initiative. In addition, these comments will provide direction in A-CEW’s efforts to develop a set of actionable recommendations to be considered in the upcoming Legislative committee efforts.

For those seeking to comment and provide your organization’s input, please send your proposal, comments, and remarks to: <https://www.dropbox.com/request/N1VDxNCahD8FBab26Bat> (see submission instructions on page 10 of this document), or contact [Rep.Tauchen@legis.wisconsin.gov](mailto:Rep.Tauchen@legis.wisconsin.gov) with any submission issues or additional questions.

Respectfully,

**Rep. Gary Tauchen**  
Assembly Chair of Agriculture

**Rep. Jeffery Mursau**  
Assembly Chair of Forestry, Parks  
and Outdoor Recreation

**Sen. Joan Ballweg**  
Senate Chair Committee on  
Agriculture and Tourism

**Rep. Joel Kitchens**  
Assembly Chair of Environment

**Rep. Mike Kuglitsch**  
Assembly Chair of Energy and  
Utilities

**Sen. Robert Cowles**  
Senate Chair Committee on Natural  
Resources and Energy

# Request for Comment

## **Capstone Question: Do market trends reflecting sustainability practices in animal agriculture justify Wisconsin legislative attention and action?**

This request for comment was developed through a public/private initiative, led by a number of Committee Chairs from the Wisconsin Assembly and Senate. The responses to this request will build upon and inform a series of recommendations to be forwarded to respective legislative committees for their consideration in early 2022.

The options considered by this initiative are a series of policies, each intended to be evaluated on its merits as a stand-alone option AND collectively as a policy program. This document provides background, an overview of the proposed program and brief descriptions of the specific policy options under consideration. Comments are requested regarding the questions posed on the following topics:

Carbon Accounting for Animal Agricultural Enterprises (page 5)

Nutrient Management and Biogas (page 6)

On-Site Energy Systems (page 7)

Carbon Offsets and Managing Carbon of Supply/Suppliers (page 8)

## **Financial, Corporate and Consumer Markets Driving Sustainability Opportunity for Wisconsin's Animal Agriculture Enterprises**

Over ninety percent of the world's largest companies currently file environmental, societal and governance (ESG) reports. (1). Ninety-eight percent of investors conduct a review of non-financial, ESG disclosures when evaluating the performance of a company. Eighty-two percent state that it would be useful to have independent assurance of the impact of green investments (2).

Eighty-six percent of millennial investors expressed an interest in sustainable investing, compared to 73% of investors overall. Key intermediary players from stock exchanges to credit rating agencies are accelerating the integration of ESG into their platforms. Perhaps most importantly, there is a growing realization by asset owners and managers that ESG can be more than simply a marketing tool or a basis for a set of niche products, but also a viable way to manage risk across their portfolios. The primary challenge continues to be the lack of a normative and widely accepted definition of ESG and standards for companies to measure and report on ESG performance. (3)(4) Expanding on that challenge are a series of recent regulatory reviews of ESG claims, regarding both quality and quantity of actual carbon reductions, as compared to claims.(5)

Investor expectations for sustainability disclosures will increasingly rely on widely recognized standards and methods of reporting. Investors want to see the connections between practices and performance in a trusted and reliable format. The International Capital Markets Association (ICMA) recommends third party review (TPR) of ESG claims. (6) In addition, investors/shareholders/stakeholders are expecting expanded transparency across all company activities. The Greenhouse Gas Protocol (GHG-P), developed by the World Resources Institute (WRI) and its partners, is the global standard guidance used by corporations to assess their GHG inventories and to subsequently account for emissions reductions achieved within their inventories.

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A corporate GHG inventory is categorized into 3 *scopes*, or categories, by GHG-P, as follows:

- **SCOPE 1:** Scope 1 emissions include GHG directly emitted by an organization’s facilities or operations. Examples include GHG emitted from a company’s own facilities and vehicles (or manure storage).
- **SCOPE 2:** Scope 2 emissions come from power generation, usually purchased from public utilities, to fuel a company’s operations. This is a form of indirect GHG emissions for companies.
- **SCOPE 3:** Scope 3 emissions are those a company causes indirectly via its supply chain. A food company, for example, would include emissions generated in the production and transport of raw materials or ingredients it purchases such as wheat, flour, butter, and sugar as part of its Scope 3 emissions footprint. (7)

Within the agricultural and food sectors, a number of global brands have embraced the challenges of identifying, measuring, and managing environmental footprints and associated risks to their valuation and continued performance. Nestle’, Kraft-Heinz, Danone, Coca Cola, Cargill, Mars, PepsiCo, McCormick, General Mills, Olam International, Leprino Foods, Maple Leaf Foods, Smithfield, Tyson, Dole, Land-O-Lakes (and many others) are all firms challenging their suppliers to pursue Science-based Targets Initiative (SBTi) for emissions reductions. For instance, Leprino has published 2030 goals to:

- Reduce absolute emissions from scope 1 and 2 (direct operations) by 30%
- Reduce emission intensity by 30% for our milk and non-milk suppliers
- Reduce water intensity by 20% in gallons of water per 1000 pounds of milk (8)

Such developments have the attention of agricultural producers, ag finance, and the USDA. The National Milk Producers Federation, the National Corn Growers, even (perhaps, especially) the corn-ethanol industry launched initiatives to promote reduction of carbon footprints of their products and are seeking to establish measurable standards for GHG-P/ESG reporting (9).

In Wisconsin, as elsewhere, stakeholder attention on the environmental impact of animal agricultural enterprises is heightened out of both ESG and related water, soil, and density concerns.(10)

Dairy, beef, pork, poultry producers and their food processing customers are aware of this scrutiny. Yet, this same sector also recognizes that an emerging market opportunity is evolving. The GHG-P driven opportunity would significantly benefit from a set of market policies which encourage “trustworthy and reliable” measurement and managing ESG related metrics (e.g. “carbon footprint”) in a manner that is voluntary, market-driven, and standardized.

## Request for Comment

The Wisconsin Agriculture/Carbon/Energy/Water (A-CEW) initiative, led by a public/private collaboration of Wisconsin legislative leaders and private sector executives, is exploring a series of options for consideration of legislative action in 2022 and beyond. This “Request for Comment” is intended to solicit responses from stakeholders regarding the scope and scale of the A-CEW initiative. These comments will inform A-CEW’s efforts to develop a set of actionable recommendations to be considered in upcoming legislative committee efforts.

# Request for Comment

## The Wisconsin A-CEW Initiative:

Voluntary, market-driven, leveraging existing programs and practices, yet packaged to be adopted at the farm-level.

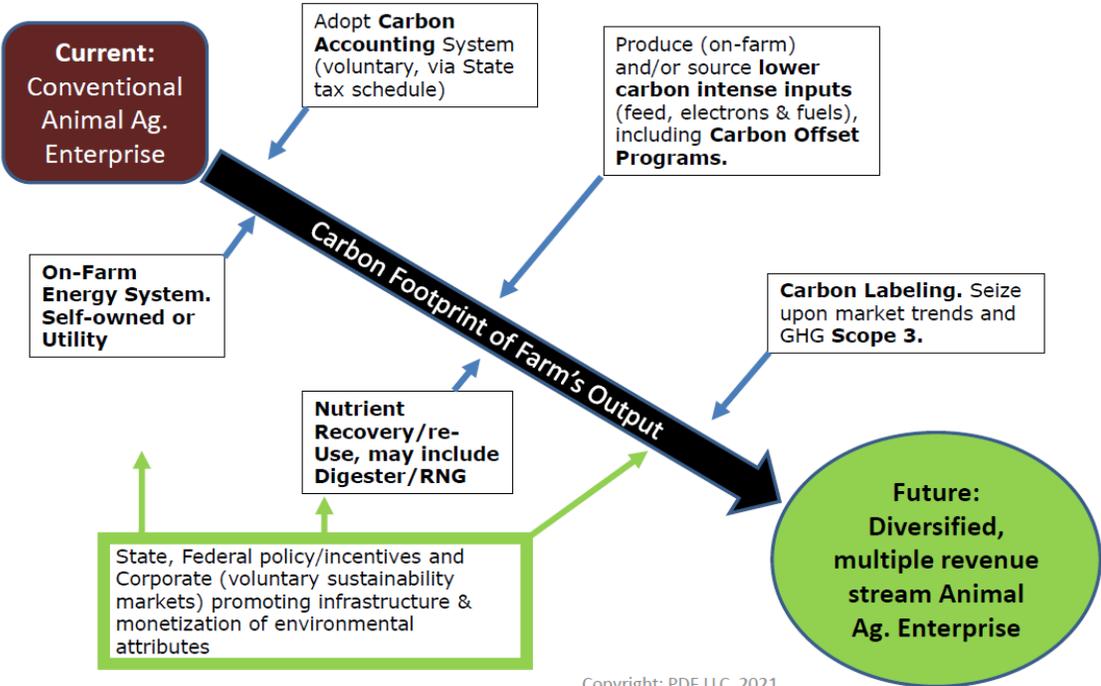
While regulated, incentivized and compliance-related markets (e.g. renewable energy) have produced tremendous technical innovations and widespread adoption of sustainable practices and investments, looking forward **consumer and business markets represent the most reliable, long-term growth opportunities for sustainable products and services.**

Products which satisfy business/individual buyers' specifications AND carbon accounting expectations (GHG-P, Scope 3, Supply-Chain) will have a competitive advantage. Supply-chain sustainability, carbon-intensity, represents the most significant trending market opportunity for Wisconsin agricultural producers.

This policy program attempts to accomplish two fundamental objectives to enhance Wisconsin animal agriculture's competitive advantage:

1. Develop and establish a state-sanctioned carbon accounting and labeling system for animal agriculture operations that meet/exceeds market expectations and is seamlessly transferrable to ESG reporting.
2. Manage, modify, and promote policy, administrative rules and budgetary efforts to provide Wisconsin farmers the broadest possible set of tools to optimize their carbon footprint, improve profitability and secure position in greening markets.

## Supporting Wisconsin Farm Carbon Management through Profitable Tools & Pathways



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# Request for Comment

This program promotes and supports measuring, managing, and monetizing the value of carbon at the farm. Valuing what's already accomplished, the program also integrates assets and practices to reduce carbon intensity, adding (sometimes significantly) to the bottom-line, while addressing risks.

Using Wisconsin animal enterprises as the "targeted" industry, the program promotes deployment of off-the-shelf technology and proven practices to support farmer's capacity to optimize benefits from carbon management.

The fundamental **technology necessary to carbon economics on the farm is accounting**, specifically carbon accounting. Accounting for the metrics which verify a difference in your farm product's carbon intensity. From this difference the value of your product and enterprise increases.

Managing the Wisconsin farm's carbon footprint requires a set of feasible and flexible



1. A simple, voluntary, **state-sanctioned, tax-reporting-based carbon accounting system** that substantially meets the verification standards and metrics necessary to demonstrate carbon stewardship and generate carbon attributes. Reporting a farm's carbon footprint needs to be straight-forward and avoid complexity/high transaction costs. USDA crop production surveys are representative models for the proposed state tax documents;
2. **On-farm renewable energy** opportunities, for supplying both in-house needs, improving efficiency and for serving (and profiting from) the grid;
3. Rules, regulations, and enhanced infrastructure to convert animal wastes into **Renewable Natural Gas (RNG)**, thermal/power sources, and recovered nutrients;
4. Agency support and assistance enabling farms to benefit from **Carbon Offset Markets**, which compensate for prescribed land-use changes and water quality practices. Support commercial relationships between farmers similarly managing their enterprises for carbon optimization, matching buyers/sellers, and providing educational services;
5. **Wisconsin carbon labeling program** (voluntary). Differentiating Wisconsin animal ag products within those markets seeking sustainable practices and attributes. Enhance Wisconsin products value with Companies addressing GHG Protocols and seeking Scope 3 attributes.

*Note: The proposed voluntary Carbon Accounting & Carbon Labeling aspects of this program are reflections, in many aspects, with existing Ag Product Traceability standards and practices, and in many aspects current Conservation Planning and Compliance requirements of USDA/NRCS.*

# Request for Comment

## **A Voluntary State-Sanctioned and Administered Carbon Accounting System**

Increasingly, corporate buyers, across the globe, are seeking trustworthy and accurate information regarding the carbon intensity of their product and supply chain. Reporting standards have been established by international organizations but these approaches have a wide variety of interpretations by industry sector and even across individual participants. Wisconsin legislative leaders are exploring establishing a voluntary approach for meeting animal agricultural products via the state's tax reporting system, which would be standardized, consistent, and exhibit a high-degree of confidence in the results.

A Wisconsin approach would stress simplicity, low cost of participation, and utilizing information already collected and compiled for other purposes (e.g. USDA NRCS conservation programs).

Carbon accounting that provides the farm an understanding of its carbon footprint and carbon intensity (CI) of its products reflects a farm's past and current practices. Regardless of the scale of farm's operation, CI is an approach that is increasingly recognized by markets ("apples-2-apples").

Please, consider providing observations, comments, and supporting information regarding the following questions:

- 1. Should the State of Wisconsin investigate and pursue development of a state-sanctioned process for farm operators to voluntarily determine the carbon intensity (CI) of their products (a "carbon accounting system")?**
- 2. If the State of Wisconsin should develop a voluntary carbon accounting system for determining the CI of farm products, should this system utilize a voluntary tax schedule as the basis for calculating CI?**
- 3. Should any state-sanctioned carbon accounting system output/results seek to meet/match expectations for Greenhouse Gas Protocol reporting and Carbon Labeling standards, OR should such a system reflect some other type of reporting standard?**

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## **Statewide Design and Development Program for Nutrient Management and Renewable Natural Gas**

Effective nutrient management not only improves local/regional water quality and soil health, but also presents opportunities in addressing an animal agricultural enterprise's carbon footprint. An increasing variety of nutrient management options are available to farms, both as individual investments and through shared (across a number of operations) projects. Manure solids separation, precision applications of soil treatments, rotational grazing, nutrient recovery/reuse, and anaerobic digestion of organic (producing biogas) have achieved wider adaptation with supportive markets and resulting cost reductions/production gains/increased revenues.

A number of markets for renewable natural gas (biogas) have emerged over the decade, with more expected in U.S. in upcoming years. Wisconsin legislative leaders, recognizing the state's history and position in the nutrient management "space", wish to consider policies and efforts that advance the opportunities for animal agriculture enterprises. Key to this effort is streamlining the contracting process (between all parties) and improving the state's infrastructure to support investment.

Please, consider providing observations, comments, and supporting information regarding the following questions:

**1. Should the State of Wisconsin investigate and pursue development of a statewide master plan for the collection, transportation, and commercialization of renewable natural gas (RNG) produced from animal wastes biomass and other organic sources?**

**2. If the State of Wisconsin should develop a statewide RNG master plan should any of the following topics be included in such a plan:**

**A) Mandated gas characteristics and specifications for RNG injected into natural gas pipelines;**

**B) Standardized pipeline interconnection agreements, including both technical and commercial sections for all RNG pipeline injection projects, both for intrastate and interstate pipelines;**

**C) Statewide mandate requiring all pipeline operators to accept RNG within terms and conditions specified in standardized interconnection agreements;**

**D) Statewide RNG pipeline insertion and transportation tolling tariffs, to be established and periodically reviewed by the PSC-WI;**

**E) Investigation and potential development of a state-endorsed and supported financing facility for the design, development, and operation of RNG collection and transportation infrastructure;**

**3. Should the State of Wisconsin investigate and develop a federal funding request to support the development and execution of a statewide RNG master plan? If so, what elements of the RNG master plan should receive the most emphasis in the federal funding request?**

# Request for Comment

## **On-site Energy/Distributed Energy Resources (DER) at/for Animal Agriculture Facilities**

Producing renewable or “lower-carbon” energy on-the-farm OR contracting for “reduced-carbon” energy from the local utility are both options for an animal agricultural enterprise to reduce and manage their carbon footprint. While adoption of these options has increased over the past decade, many efforts in pursuit of on-site energy management remain complex and vary from location-to-location.

Wisconsin legislative leaders seek to understand options for improving opportunities for farms to consider energy investments, changes in purchasing energy or both.

Please, consider providing observations, comments, and supporting information regarding the following questions:

**1. Should the State of Wisconsin develop and adopt standardized Power Purchase Agreements (PPA) and standardized Design-Build-Own-Operate/Energy-as-a-Service (EaaS) agreements (when facility is owned by a utility) to be applied by all state distribution utilities for Distributed Energy Resource systems (located on animal agricultural enterprises?), under 1.5 MW (AC) capacity. Please, explain rational and reasoning of response.**

**2. Should all Wisconsin DER commercial agreements include language that specifically addresses:**

**A) Net metering;**

**B) Buy-back rates;**

**C) Power dispatch curtailment and excess generation (i.e. generation beyond that required by the facility host) and the revenue earned by the distribution utility from excess generation, including parallel generation & revenue from grid services;**

**D) Parallel generation, wholesale power and grid service revenue apportionment (sharing) between utility and facility host;**

**E) Monthly reconciliation practices which clearly describe practices applied to the buying/selling/revenue sharing between utility and DER facility host and the resulting monthly statement (issued by the distribution utility);**

**F) Any conditions or terms regarding anticipated or future aggregation of DER’s capacity and generation for participation in the Regional Transmission Organization (e.g. MISO) market;**

**G) Technical and operational specifications, including but not limited to inter-operability concerns, required of all DERs, such that distribution utility system reliability and performance meets PSC-WI standards?**

**3. Should Wisconsin establish a statewide net metering policy?**

# Request for Comment

## Carbon Inputs and Carbon Offsets

The carbon content (carbon intensity, CI) of a farm's inputs (feed, energy, supplies' and even services) have a direct impact on the overall carbon footprint of the operation, and its products. Changes in practices and purchases are options for managing CI on the farm, if directly accounted for by the farm.

Another option exists for agricultural operations and landowners: carbon offsets. In this case, changes in practices (e.g. tillage, nutrient management, etc.) under the terms and conditions of a third-party carbon offset marketing organization are measured, verified, and then sold to another party. This buyer uses these offsets to reduce their own carbon footprint.

Carbon reductions from changes in farming/land-use practices that are reflected in the operation's own carbon accounting CAN NOT also be packaged and sold as an offset to another party. Offsets sold to another, do not, subsequently reduce the farm's carbon footprint, thus do not reduce the CI of the farm's products. This exclusive use restriction avoids "double counting."

Wisconsin legislative leaders seek to expand the options for animal agricultural enterprises in effectively managing their production/purchasing practices for carbon management. These same leaders also wish to explore options for leading the discussion and development of trustworthy, accurate and viable carbon offset financial products that directly benefit voluntary practices on the land.

Please, consider providing observations, comments, and supporting information regarding the following questions:

- 1. Should the State of Wisconsin investigate and pursue development of a Department of Agriculture, Trade and Consumer Protection (DATCP) administered program which facilitates trade (products and services) between farms and vendors seeking to manage internal carbon intensity (CI) of their products and enterprises (ie. an on-line "carbon-input" marketplace)?**
  
- 2. Should the State of Wisconsin investigate and pursue development of a DATCP administered program which facilitates and monitors trade between farm operators and private sector marketers of carbon incentive/offset programs? If such a program were to be executed, should the State of Wisconsin seek to support administration and continued research of such a program through a transaction based "check-off" system (% of transaction amount as service fee)?**
  
- 3. Should the State of Wisconsin, with support of agencies, stakeholder groups and researchers, both from within Wisconsin and elsewhere, seek to investigate and expand the techno/economic basis for carbon sequestration/offset practices and methods as to expand the scientific basis for such practices and to facilitate wider participation by investors and consumers of such offsets?**

# Request for Comment

## Instructions for Submitting Comments

- I For each topic category (Carbon Accounting; Nutrient/Renewable Natural Gas; On-Site Energy; Carbon Inputs/Offsets) respondents may file separate comments.
- II Comments per category may not exceed 5 pages in length, text point size of 11 or greater and must be submitted in PDF format
- III Comments are due by 5:00 p.m. November 30, 2021.
- IV Comments are to be submitted to the following Dropbox location:

<https://www.dropbox.com/request/N1VDxNCahD8FBab26Bat>

Note: if technical difficulties/challenges inhibit or prevent submission of comments via Dropbox, please contact Representative Tauchen's office at [Rep.Tauchen@legis.wisconsin.gov](mailto:Rep.Tauchen@legis.wisconsin.gov) for assistance or alternative instructions

# Request for Comment

## Footnotes/Citations

- (1) KMPG Survey of Sustainability Reporting, December 2020
- (2) Ernst & Young, “How will ESG Performance Shape your Future”, July 2020
- (3) High Meadows Institute, “Sustainability in Capital Markets”, March 2019.
- (4) Morningstar, “Sustainable Investing Works”, Sept 16, 2021 <https://www.morningstar.com/articles/1058428/sustainable-investing-works>
- (5) Winston Strawn LLP. Government Enforcers Ramp up Climate and ESG Claim Investigation, Sept 7 2021. <https://www.winston.com/en/winston-and-the-legal-environment/government-enforcers-ramp-up-climate-and-esg-claim-investigation.html>
- (6) International Capital Markets Association, <https://www.icmagroup.org/sustainable-finance/>
- (7) Ecosystem Services Market Consortium; [www.ecosystems-services-market.org](http://www.ecosystems-services-market.org)
- (8) Leprino Foods, <https://leprinofoods.com/global-responsibility/>
- (9) <https://www.agri-pulse.com/articles/14799-corporate-giants-climate-pledges-take-root-pressing-farmers-to-go-green>
- (10) Feedback (2020), *It's Big Livestock versus the Planet: A case to cut off meat and dairy corporations' financial fodder*. Feedback Global. London.