SUSTAINABILITY PROGRAM

# Introduction & FAQ

## Introduction

In the rapidly advancing world of sustainability, there are numerous opportunities for farmers to take advantage of newly available funding to support new or planned operational changes on the farm. Some of these come from government funding, and others through corporations that are either looking to reduce their climate impact or greenhouse gas emissions by supporting farmers inside their supply chains or looking to purchase verified carbon credits in the market to support their sustainability goals. Pinion developed a short list of program providers in your area that have available programs compatible with RCPP funding. It is important to find the program that you feel comfortable with and that best fits your operation and business goals. We encourage every farmer to consider multiple programs and complete the proper due diligence before deciding on a program. The below FAQ should help guide you in your discussions.

## What is a Carbon Program?

A carbon program is a program that pays you for additional metric tons of carbon you draw down and store in your soil through changes in operations on your farm after joining the program. Timelines may vary by program for what qualifies and when the practices can be implemented. The program developer then keeps or sells those carbon credits to companies looking to offset their greenhouse gas emissions.

## What is a Scope 3 or Inset Program?

Scope 3 refers to the emissions that occur within a company's supply chain, and primarily, the emissions created by the goods and services a company sources to make other products or services. Corn, soybeans, and wheat are commonly sourced products and the removal of the emissions associated with them creates sustainable benefits to the companies that purchase them. GHG reduction programs, or insetting programs, are often similar to carbon offset programs, by paying farmers for changes to their operations that have measurable greenhouse gas reductions or removals. Once these reductions or removals are measured and verified, some downstream customers can capture those to support their sustainability goals.

## Can I enroll in a Scope 3/Inset Program and a Carbon Offset Program?

No, a single field can only be enrolled in one of these programs because they are both benefiting from the same reduction or removal of greenhouse gases and other environmental benefits, such as water quality, etc. The main difference with insetting is the reduction benefits stay within the supply chain; with carbon offsets, any company could purchase those credits to offset their carbon footprint, which could be outside ag and food industries, such as the transportation sector.

## Why would I choose Carbon Offsets over Scope 3/Insets or vice versa?

Some inset programs do not require the qualifying practices to be "additional," or new. However, with all carbon offset programs, the practices must be "additional," or new. This is why it is important to truly understand with all programs how and when you qualify to get the maximum benefit on the most acres.



Sustainability Program Insights by pinion

## What should I consider if I choose a flat payment program vs a payment per metric ton program?

The biggest difference between these two program types is that one is paying you for a specific practice and the other is paying you for a specific outcome (typically metric tons of carbon). “Pay for practice” programs have the benefit of being simpler, while “pay for outcome” programs typically offer more transparency and give you better information in terms of the actual tons of carbon you are sequestering in your soil year over year, as well as the actual price per metric ton you are getting paid – giving you more insights into the current value of the carbon market and what additional practice changes might yield you for future consideration.

## Are short term contracts better than long term contracts?

Not necessarily. Entering into inset and offset markets is exciting but should come from a place of interest in long-term opportunities. If a contract is longer than one year, it is not necessarily problematic or more restrictive. Many programs, however, choose a longer contract length to signal the importance of continuing with new practice changes that reduce emissions and store carbon permanently. To sell carbon through a carbon registry, project developers must guarantee the carbon credits will be there for 100 years. Thus, carbon project developers are responsible for the ongoing monitoring of the carbon and, likewise, any acres that fall out of their program. The biggest questions to ask are about the terms of *exiting* the contract, not necessarily the contract length itself. What happens if you decide to change practices or leave the program all together? Will the program draw back payments previously made to you? Are there fees or legal implications if you decide to cancel or exit the contract? And, of course, it is important to ensure that all of these are covered in the fine print of the contract.

**Below is a list of questions to consider when talking with different program providers to make your decision.**

How do I qualify?

What if the new practices I implement do not work for my operation and I decide to eliminate them or do something different next year?

How do you verify the amount of carbon I am storing in my soil? Will you share this information with me?

Where is the funding for my payments coming from? In other words, is the company funding it independently? Are they selling the outcomes to another business? Is there other government funding involved?

If the outcomes of the program (offsets or insets) are being sold, for how much? And how much of that is the program developer keeping?

When and how do I get paid?

How long does the enrollment process take?

How much historical data is required to enroll in the program and how do you submit it?

What are the terms of the contract and what happens if I choose to leave the program early?