111TH CONGRESS
1ST SESSION

S. _____

To reduce greenhouse gas emissions from uncapped domestic sources, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. STABENOW (for herself, Mr. BAUCUS, Ms. KLOBUCHAR, Mr. BROWN, Mr. BEGICH, and Mr. HARKIN) introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To reduce greenhouse gas emissions from uncapped domestic sources, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Clean Energy Partnerships Act of 2009''.

(b) TABLE OF CONTENTS.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—OFFSET CREDIT PROGRAM FOR DOMESTIC EMISSION REDUCTIONS

Sec. 101. Definitions.

Sec. 102. Advisory Committee.
Sec. 103. Establishment of program to credit emission reductions from uncapped domestic sources and sinks.
Sec. 104. Eligible projects.
Sec. 105. Requirements for offset projects.
Sec. 106. Approval.
Sec. 107. Verification of offset projects.
Sec. 108. Issuance of offset credits.
Sec. 109. Audits and reviews.
Sec. 110. Early offset supply.
Sec. 111. Program review and revision.
Sec. 112. Additional regulatory standards for emission reductions.
Sec. 113. Use of credits for compliance purposes.

TITLE II—CARBON CONSERVATION PROGRAM

Sec. 201. Definitions.
Sec. 202. Carbon conservation program.
Sec. 203. Carbon Conservation Fund.

TITLE III—RURAL CLEAN ENERGY RESOURCES

Sec. 301. Findings.
Sec. 302. Biorefinery assistance.
Sec. 303. Repowering assistance.
Sec. 304. Rural Energy for America Program.
Sec. 305. Rural Clean Energy Resources Fund.

TITLE IV—AGRICULTURE AND FORESTRY RESEARCH FOR GREENHOUSE GAS MITIGATION

Sec. 401. Findings.
Sec. 402. Research and demonstration program.

TITLE I—OFFSET CREDIT PROGRAM FOR DOMESTIC EMISSION REDUCTIONS

SEC. 101. DEFINITIONS.

In this title:

(1) ACADEMY.—The term ''Academy'' means the National Academy of Sciences.

(2) ADMINISTRATOR.—The term ''Administrator'' means the Administrator of the Environmental Protection Agency.

(3) ADVISORY COMMITTEE.—The term ''Advisory Committee'' means the Greenhouse Gas Emission Reduction and Sequestration Advisory Committee established under section 102(a)(1).

(4) APPROPRIATE OFFICIAL.—The term ''appropriate official'' means—

(A) the Secretary, with respect to any domestic agriculture or forestry offset project; and

(B) the Administrator, with respect to all other offset projects.

(5) EMISSION REDUCTION.—The term ''emission reduction'' means the reduction, avoidance, destruction, or sequestration of greenhouse gas emissions.

(6) OFFSET PROJECT.—The term ''offset project'' means a project or activity that achieves emission reductions, and for which offset credits are issued under this title.

(7) SECRETARY.—The term ''Secretary'' means the Secretary of Agriculture.

SEC. 102. ADVISORY COMMITTEE.

(a) ESTABLISHMENT.—

(1) ADVISORY COMMITTEE.—The Secretary and the Administrator shall jointly establish an advisory committee, to be known as the ''Greenhouse Gas

Emission Reduction and Sequestration Advisory Committee'', to provide scientific and technical advice on the establishment and implementation of an offset project program with respect to offset projects under the jurisdiction of the Secretary and the Administrator.

(2) AUTHORITY.—In addition to the authority of this section, the Administrator and the Secretary shall use existing authority under, as appropriate—

(A) the Clean Air Act (42 U.S.C. 7401 et seq.);

(B) the Federal Advisory Committee Act (5 U.S.C. App.); and

(C) section 1245 of the Food Security Act of 1985 (16 U.S.C. 3845).

(b) MEMBERSHIP.—

(1) IN GENERAL.—The Advisory Committee shall be composed of not less than 9 and not more than 15 individuals with relevant education, training, and experience, selected jointly by the Secretary and the Administrator, who shall be—

(A) identified by the Academy;

(B) representative of land grant universities, academia, business, nongovernmental or-

ganizations, and Federal, State, and local government; or

(C) experts with background and experience in agriculture or forestry.

(2) REQUIREMENT.—Not more than ⅓ of the members of the Advisory Committee may be officers or employees (including contractors) of any Federal agency.

(3) TERM.—A member—

(A) shall be appointed to the Advisory Committee for a term of 3 years (except for initial terms for which members may be appointed for a term of 4 or 5 years to allow staggering); and

(B) may be reappointed for 1 additional 3-year term (which may directly follow a first term), at the discretion of the Secretary and the Administrator.

(4) VACANCIES.—A vacancy on the Advisory Committee—

(A) shall not affect the powers of the Advisory Committee; and

(B) shall be filled in the same manner as the original appointment was made.

(5) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Advisory Committee have been appointed, the Advisory Committee shall hold the initial meeting of the Advisory Committee.

(6) MEETINGS.—The Advisory Committee shall meet at the call of the Chairperson, with the approval of the designated Federal officer.

(7) QUORUM.—A majority of the members of the Advisory Committee shall constitute a quorum, but a lesser number of members may hold hearings.

(8) CHAIRPERSON.—The Secretary and the Administrator shall jointly select a Chairperson of the Advisory Committee from among the members of the Advisory Committee.

(c) EXPERTISE.—On approval of the Secretary and the Administrator, the Advisory Committee may seek outside expertise, as necessary, and form subcommittees or workgroups for any purpose consistent with this section.

(d) DUTIES.—

(1) REPORTS ON OFFSET PROJECT CATEGORIES.—

(A) IN GENERAL.—Not later than 180 days after the date on which all initial members of the Advisory Committee have been appointed,

the Advisory Committee shall submit to the Secretary and the Administrator and make available to the public a report containing recommendations regarding the types of offset project categories pursuant to section 104, and relevant scientific data regarding practices for those categories, that should be considered to be eligible to generate offset credits under this title.

(B) FACTORS.—In developing the recommendations described in subparagraph (A), the Advisory Committee shall take into account—

(i) the extent to which, as of the date of submission of the report, the project or activity types within each category—

(I) are required by law; or

(II) represent business-as-usual practices for an industry sector or facility type;

(ii) the potential for accurate quantification of net emission reductions;

(iii) any corresponding environmental benefits or disadvantages; and

(iv) the potential supply of emission reductions available from the category.

(C) CATEGORIES FOR CONSIDERATION.—In determining which categories of activities to recommend under subparagraph (A), the Advisory Committee shall consider, at a minimum, with respect to each category and the jurisdiction of the Secretary and Administrator, as appropriate, project types that are listed under section 104.

(D) METHODOLOGIES.—For each recommended offset project category, the Advisory Committee may recommend 1 or more methodologies for use with any project type.

(2) REPORTS ON EMISSION REDUCTION INTEGRITY.—

(A) IN GENERAL.—Not later than 180 days before the date of promulgation of any regulations relating to offsets required under a Federal law enacted for the purpose of regulating greenhouse gas emissions, and periodically thereafter, using the best available science, the Advisory Committee shall jointly provide to the Secretary and the Administrator, respectively, and submit for publication a report con-

taining priority recommendations on how to ensure the emission reduction integrity of the offset projects under this title, including with regard to—

(i) quantifying credits for net emission reductions resulting from offset projects;

(ii) determining additionality, including—

(I) the application of standards that are specific to each project type; and

(II) the use of methodologies that account for business-as-usual practices for an industry or facility type;

(iii) accounting for economic and emission leakage associated with project activities, including the application of sector-specific leakage factors in order to reflect net changes in emissions and sequestration resulting from the project;

(iv) accounting for uncertainty and application of uncertainty factors;

(v) methods to measure, verify, and otherwise ensure project results with suffi-

cient scientific integrity to meet the objectives of the program;

(vi) establishing appropriate insurance requirements, buffer reserves, or other options to address the risk of reversals by project type and conditions;

(vii) minimizing administrative costs and burdens on project representatives; and

(viii) meeting any other criteria the Advisory Committee recommends be applied to ensure that projects assist in meeting the overall objectives of a Federal law enacted for the purpose of regulating greenhouse gas emissions.

(B) RESPONSE.—Not later than 180 days after the date of receipt of a report under subparagraph (A), the Secretary and the Administrator shall jointly make available to the public a response to the report.

(e) POWERS.—

(1) HEARINGS.—The Advisory Committee may, with the consent of the Secretary and the Administrator, hold such hearings, meet and act at such times and places, take such testimony, and receive

such evidence as the Advisory Committee considers advisable to carry out this section.

(2) INFORMATION FROM FEDERAL AGENCIES.—

(A) IN GENERAL.—The Advisory Committee may secure directly from a Federal agency such information as the Advisory Committee considers necessary to carry out this section.

(B) PROVISION OF INFORMATION.—On request of the Chairperson of the Advisory Committee, the head of the agency shall provide the information to the Advisory Committee.

(3) POSTAL SERVICES.—The Advisory Committee may use the United States mails in the same manner and under the same conditions as other agencies of the Federal Government.

(f) ADVISORY COMMITTEE PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—

(A) NON-FEDERAL EMPLOYEES.—A member of the Advisory Committee who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) dur-

ing which the member is engaged in the performance of the duties of the Advisory Committee.

(B) FEDERAL EMPLOYEES.—A member of the Advisory Committee who is an officer or employee of the Federal Government shall serve without compensation in addition to the compensation received for the services of the member as an officer or employee of the Federal Government.

(2) TRAVEL EXPENSES.—A member of the Advisory Committee shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for an employee of an agency under subchapter I of chapter 57 of title 5, United States Code, while away from the home or regular place of business of the member in the performance of the duties of the Advisory Committee.

SEC. 103. ESTABLISHMENT OF PROGRAM TO CREDIT EMISSION REDUCTIONS FROM UNCAPPED DOMESTIC SOURCES AND SINKS.

(a) PROGRAM.—

(1) IN GENERAL.—Not later than 1 year after the date of enactment of this Act, the Administrator and the Secretary shall, in accordance with this title,

establish a program to govern the creation of credits from emission reductions from uncapped domestic sources and sinks while ensuring that offset credits represent additional greenhouse gas emission reductions in accordance with section 105.

(2) EMISSION REDUCTION INTEGRITY; RULEMAKING.—In carrying out the program under this section, the Administrator and the Secretary shall, to the maximum extent practicable—

(A) protect the emission reduction integrity of the program while minimizing burdens on offset project representatives;

(B) prioritize rulemaking for activities that present the fewest technical challenges and greatest certainty of net atmospheric benefit, considering the recommendations of—

(i) the Advisory Committee submitted under section 102;

(ii) the Department of the Interior;

(iii) the Secretary of Commerce, with respect to any coastal, ocean or marine offset project; and

(iv) other Federal agencies;

(C) ensure that consistent requirements and procedures apply in the case of offset

project types that fall within the respective purviews of the Administrator and the Secretary; and

(D) ensure that the program meets the requirements of section 105.

(b) REGISTRY.—Not later than 1 year after the date of enactment of this Act, the Administrator, in consultation with the Secretary and the heads of other appropriate Federal agencies, shall establish a registry (or expand an established emission allowance registry) for use in recording approved credits issued under this section to reflect emission reductions from uncapped sources and sinks.

(c) DEPARTMENT OF AGRICULTURE ROLE.—In addition to the duties described in subsection (a) and section 1245 of the Food Security Act of 1985 (16 U.S.C. 3845), the Secretary shall, with respect to relevant or appropriate projects relating to emission reductions from uncapped sources and sinks in agriculture and forestry—

(1) gather inventory data on carbon stocks and fluxes to inform rulemaking with respect to agricultural and forestry sectors;

(2) administer as the lead agency the duties prescribed under sections 104, 105, 106, and 109 for agricultural and forestry offset projects;

(3) prepare the Forest Service, the Natural Resources Conservation Service, the Farm Service Agency, and other applicable entities to make available to landowners and project representatives carbon sequestration data and other information on agricultural and forest land that are necessary to assist landowners and project representatives in estimating carbon sequestration rates by land area or appropriate region, forest type, soil type, and other appropriate factors;

(4) make available technical assistance to landowners undertaking activities in preparation for the sale of carbon credits derived from activities on the land of the landowners, including work and opportunities with aggregators and third-party verifiers pursuant to section 107;

(5) take into consideration expanding existing training and accreditation programs of the Natural Resources Conservation Service for third-party technical service providers to provide training and accreditation for third-party verifiers pursuant to section 107;

(6) conduct, as appropriate, outreach, education, and training through the extension services of land-grant colleges and universities; and

(7) promulgate such regulations as are necessary to carry out the functions of the Secretary under this title.

SEC. 104. ELIGIBLE PROJECTS.

(a) LIST OF ELIGIBLE PROJECT TYPES.—Each appropriate official shall establish and maintain a list of types of offset projects eligible to generate offset credits under this title.

(b) INITIAL LIST OF PROJECT TYPES.—

(1) IN GENERAL.—Each appropriate official shall establish an initial list of eligible project types under subsection (a).

(2) EMISSION REDUCTION ACTIVITIES.—The appropriate official shall include on the list required under this subsection, at a minimum, activities that provide emission reductions and meet the requirement of section 105, including—

(A) methane collection at mines, landfills, and natural gas systems;

(B) fugitive emissions from the oil and gas sector that reduce greenhouse gas emissions that would otherwise have been flared or vented;

(C) nonlandfill projects that involve collection, combustion, or avoidance of emissions

from organic waste streams that would have otherwise emitted methane into the atmosphere, including manure management, composting, or anaerobic digestion projects;

(D) projects involving afforestation or reforestation of acreage not forested as of January 1, 2009;

(E) forest management resulting in an increase in forest carbon stores, including harvested wood products;

(F) projects that capture and geologically sequester uncapped greenhouse gas emissions with or without enhanced oil or methane recovery in active or depleted oil, carbon dioxide, natural gas reservoirs or other geological formations;

(G) recycling and waste minimization projects;

(H) projects to abate the production of nitrous oxide at nitric acid production facilities and other stationary sources;

(I) projects for biochar production and use;

(J) projects that destroy ozone-depleting substances that have been phased out of production;

(K) projects in communities reliant on small, isolated electricity grids involving conversion from diesel to renewable sources of energy, including electricity generation facilities with emissions below required levels for compliance with any limitation on district or home heating in those communities;

(L) projects relating to agricultural, grassland, and rangeland sequestration and management practices, including—

(i) altered tillage practices, including the avoided abandonment of conservation practices;

(ii) winter cover cropping, continuous cropping, and other means to increase biomass returned to soil in lieu of planting followed by fallowing;

(iii) the use of technology or practices to improve the management of nitrogen fertilizer use, including slow and controlled-release fertilizers (including absorbed, coated, occluded, or reacted fertilizers) and stabilized nitrogen fertilizers (including urease, nitrification inhibitors,

and nitrogen stabilizers) that are recognized by State regulators of fertilizers;

(iv) reduction in methane emissions from rice cultivation;

(v) reduction in carbon emissions from organically managed soils and farming practices used on certified organic farms;

(vi) reduction in greenhouse gas emissions due to changes in animal management practices, including dietary modifications and pasture-based livestock systems;

(vii) resource-conserving crop rotations of at least 3 years; and

(viii) practices that will increase the sequestration of carbon in soils on cropland, hayfields, native and planted grazing land, grassland, or rangeland;

(M) projects for changes in carbon stocks attributed to land management change, including—

(i) improved management or restoration of cropland, grassland, rangeland (including grazing practices), and forest land;

(ii) avoided conversion that would otherwise release carbon stocks;

(iii) reduced deforestation;

(iv) management and restoration of peatland or wetland

(v) urban tree-planting, landscaping, greenway construction, and maintenance;

(vi) sequestration of greenhouse gases through management of tree crops;

(vii) adaptation of plant traits or new technologies that increase sequestration by forests; and

(viii) projects to restore or prevent the conversion, loss, or degradation of vegetated marine coastal habitats;

(N) projects that reduce emission reductions from manure and effluent, including—

(i) waste aeration;

(ii) biogas capture and combustion; and

(iii) improved management or application to agricultural land; and

(O) projects that reduce the intensity of greenhouse gas per unit of agricultural production.

(c) MODIFICATIONS TO THE LISTS OF ELIGIBLE TYPES OF OFFSET PROJECT.—

(1) MODIFICATIONS.—

(A) IN GENERAL.—At any time, after taking into consideration any relevant recommendations of the Advisory Committee, the appropriate official may by regulation determine whether to add additional types of projects, pursuant to subsection (a), to the list of eligible projects of the appropriate official under subsection (a).

(B) CRITERION FOR ADDITION.—The appropriate official shall add a type of project to an eligible list in accordance with subparagraph (A) only if the type of project to be added is capable of generating emission reductions that meet the requirements under this title.

(C) PETITION FOR ADDITION.—

(i) IN GENERAL.—Any person may petition the appropriate official at any time to add a type of project to a list described in subsection (a).

(ii) RESPONSE.—Not later than 180 days after the date of receipt of the peti-

tion, the appropriate official shall respond to the petition.

(2) REMOVALS FROM THE LIST.—

(A) IN GENERAL.—Not later than January 1, 2015, and every 3 years thereafter, the appropriate official shall determine whether to remove types of projects, pursuant to subsection (b), from the eligible list of the appropriate official.

(B) REQUIREMENTS.—The appropriate official may remove a type of project from the eligible list of the appropriate official only—

(i) by regulation; and

(ii) if—

(I) the type of project has become required by law (including a regulation);

(II) the agency with responsibility for administering the project determines that the environmental harm resulting from the type of project exceeds the greenhouse gas emission abatement benefits of the project;

(III) the project activity has become predominant, and would remain

predominant even without the availability of offset credits.

(IV) the project type does not meet the requirements of this title.

SEC. 105. REQUIREMENTS FOR OFFSET PROJECTS.

(a) METHODOLOGIES.—Not later than 1 year after the date of inclusion of a project type on an eligible list under section 104(a), the appropriate official shall by regulation establish for that project type 1 or more standardized methodologies (giving priority to projects with well-established methodologies) or performance standards that can be developed so that the project type can meet the requirements of this section—

(1) for use in determining the additionality of greenhouse gas emission reductions achieved by an offset project of that type, that ensures, at a minimum, that any greenhouse gas emission reduction is considered additional only to the extent that the emission reduction results from activities that—

(A) are not required by or undertaken to comply with any law (including any regulation or consent order, but excluding any contract);

(B) were not commenced prior to January 1, 2009, except for offset project activities described in section 110 that commenced after

January 1, 2001, and were registered as of the date of enactment of this Act under an offset program with respect to which the Administrator and the Secretary have made an affirmative determination under paragraph (2) or (3) of section 110(a) or section 110(e); and

(C) exceed the activity baseline established under subparagraph (B);

(2) for use in establishing activity baselines for offset projects of that type, which activity baselines shall be established by the appropriate official to reflect a conservative estimate of business-as-usual performance or practices for the relevant type of activity such that the baseline provides a science-based margin of safety to ensure the emission integrity of offsets calculated in reference to the baseline, including (in the case of an agricultural or forestry offset project) the establishment by the Secretary of a temporary baseline for offset projects of that type to establish a date after which offset credits may be calculated with respect to the baseline that may reflect a continuation of practices in place prior to the adoption of the offset project;

(3) for use in determining the extent to which greenhouse gas emission reductions achieved by an

offset project of that type exceed a relevant activity baseline, including protocols for use in monitoring and accounting for uncertainty; and

(4) for use in accounting for and mitigating potential leakage, if any, from an offset project of that type, taking uncertainty into account.

(b) ACCOUNTING FOR REVERSALS.—

(1) ACCOUNTING.—

(A) IN GENERAL.—For each type of sequestration project listed under section 104, the appropriate official shall prescribe such mechanisms to ensure that any sequestration with respect to which an offset credit is issued under this title results in a net increase in sequestration, and that a full and transparent account is taken of any actual or potential reversal of the sequestration, with an adequate margin of safety for the complete term of an offset project agreement approved under section 106.

(B) MINIMUM MECHANISMS.—The appropriate official shall prescribe at least 1 of the following mechanisms to meet the requirements of this paragraph:

(i) An offsets reserve, pursuant to paragraph (2).

(ii) Insurance that provides for purchase and provision to the appropriate official for retirement of a quantity of offset credits or emission allowances equal in number to the tons of carbon dioxide equivalents of greenhouse gas emissions released due to reversal.

(iii) Another mechanism that the appropriate official determines satisfies the requirements of this title.

(2) OFFSETS RESERVE.—

(A) IN GENERAL.—An offsets reserve referred to in paragraph (1)(B)(i) is a program under which, before issuance of offset credits under this title, the appropriate official shall—

(i) subtract and reserve from the quantity to be issued a quantity of offset credits based on the risk of reversal; and

(ii)(I) hold those reserved offset credits in the offsets reserve; and

(II) register the holding of the reserved offset credits in the registry established under section 103(b).

(B) PROJECT REVERSAL.—

(i) IN GENERAL.—If a reversal has occurred with respect to an offset project for which offset credits are reserved under this paragraph, the appropriate official shall remove offset credits from the offsets reserve and cancel the credits to fully account for the tons of carbon dioxide equivalent that are no longer sequestered.

(ii) INTENTIONAL REVERSALS.—If the appropriate official determines that a reversal was intentional, the offset project representative for the relevant offset project shall place into the offsets reserve a quantity of offset credits, or combination of offset credits and emission allowances, equal in number to 150 percent of the number of reserve offset credits that were canceled due to the reversal pursuant to clause (i).

(C) USE OF RESERVED OFFSET CREDITS.—Offset credits placed into the offsets reserve under this paragraph may not be used to comply with other obligations under a Federal law enacted for the purpose of regulating greenhouse gas emissions.

(3) CARBON AGREEMENTS AND LAND USE FLEXIBILITY.—

(A) APPLICABILITY.—

(i) IN GENERAL.—With respect to an agricultural, forestry, or any other sequestration practice listed under section 104 that sequesters greenhouse gases, the Secretary may develop mechanisms in addition to paragraphs (1) and (2) in order to ensure that less-than-perpetual sequestration agreements under this subsection meet the requirements of this section and maintain the integrity of the overall emission reduction targets of a Federal law enacted for the purpose of regulating greenhouse gas emissions.

(ii) MECHANISMS.—The mechanisms shall include—

(I) a specific duration of the intended sequestration activity;

(II) clear liability for carbon accounting;

(III) sequential activities;

(IV) adequate monitoring and accounting systems to maintain the emission reduction targets;

(V) carbon easements; or

(VI) any other option that meets the requirements of this section, as determined by the Secretary.

(B) RESPONSIBILITY FOR ACCOUNTING.—To account for the termination of any offset agreement approved under section 106 or the termination of the sequestration activity, the Secretary may allow the agreement to assign liability to any part of the agreement for the purposes of carbon accounting.

(c) CREDITING PERIODS.—

(1) IN GENERAL.—For each offset project type, the appropriate official shall specify a crediting period, and establish provisions for petitions for new crediting periods, in accordance with this subsection.

(2) DURATION.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the crediting period shall be not less than 5 nor greater than 10 years.

(B) FORESTRY PROJECTS.—The crediting period for a forestry offset project shall not exceed 30 years.

(3) ELIGIBILITY.—

(A) IN GENERAL.—An offset project shall be eligible to generate offset credits under this title only during the crediting period of the offset project.

(B) REMAINING ELIGIBILITY.—Except as provided in paragraph (4), during a crediting period described in subparagraph (A), an offset project shall remain eligible to generate offset credits, subject to the methodologies and project type eligibility list that applied as of the date of project approval under section 106.

(4) PETITION FOR NEW CREDITING PERIOD.—

(A) IN GENERAL.—An offset project representative may petition for a new crediting period to commence after termination of a crediting period, subject to the methodologies and project type eligibility list in effect at the time at which the petition is submitted.

(B) TIMING OF SUBMISSION.—A petition may not be submitted under this paragraph

more than 1 year before the end of the pending crediting period.

(C) RESPONSE.—The appropriate official shall make a determination on the petition in accordance with section 106.

(d) EMISSION REDUCTION INTEGRITY.—In establishing the requirements under this section, the appropriate official shall apply conservative assumptions or methods to maximize the probability that the emission reduction integrity of Federal benchmarks or mandates are not compromised.

(e) PREEXISTING METHODOLOGIES.—In promulgating requirements under this section, the appropriate official shall give due consideration to methodologies for offset projects existing as of the date of enactment of this Act.

(f) ADDITIONAL BENEFITS.—Nothing in this section precludes an offset project from meeting the requirements of this section, or from approval under section 106, only because the relevant activity under section 104 receives an additional payment from another source for an ecological service other than emission reductions, including conservation program payments.

(g) DATA COLLECTION.—The appropriate official shall collect such data as are necessary to assess a range

of factors relative to the performance and effects of any offset project type.

SEC. 106. APPROVAL.

(a) PROJECT PETITION.—

(1) IN GENERAL.—Not later than the date of submission of the first verification report for an offset project under section 107, the offset project representative shall submit to the appropriate official a petition for approval of the offset project.

(2) PETITION REQUIREMENTS.—As part of the regulations promulgated under this title, the appropriate official shall include provisions for, and shall specify, the required components of an offset project approval petition submitted under this subsection, including—

(A) designation of an offset project representative; and

(B) any other information that the appropriate official considers to be necessary—

(i) to determine whether the offset project meets the established criteria under this section; and

(ii) to meet the purposes and requirements of this title.

(b) APPROVAL AND NOTIFICATION.—

(1) IN GENERAL.—Not later than 30 days after receiving a complete approval petition under subsection (a), the appropriate official shall—

(A)(i) make determinations on whether to approve an offset plan and on the quantity of greenhouse gas emissions that have been reduced or avoided, or greenhouse gases that have been sequestered, by the offset practice in an approved and verified offset project plan; and

(ii) notify the offset project developer in writing of the determination; and

(B) based on the determination under subparagraph (A)—

(i) approve or deny the petition in writing;

(ii) notify the offset project representative in writing of the determination; and

(iii) if the petition is denied, provide the reasons for denial.

(2) RESUBMISSION.—After an offset project is approved, the offset project representative shall not be required to resubmit an approval petition during the crediting period of the offset project.

(c) APPEAL.—The appropriate official shall establish mechanisms for appeal and review of determinations made under this section.

(d) THIRD-PARTY REVIEW.—The appropriate official may provide for accreditation of independent third parties to provide recommendations to the appropriate official on approvals under this section.

(e) VOLUNTARY PREAPPROVAL REVIEW.—

(1) IN GENERAL.—The appropriate official may establish a voluntary preapproval review procedure to allow an offset project representative to request the appropriate official to conduct a preliminary eligibility review for an offset project.

(2) FINDINGS.—Any findings of a review described in paragraph (1) shall not be binding upon the appropriate official.

(3) REQUIREMENTS.—The voluntary preapproval review procedure shall require—

(A) the offset project representative to submit such basic project information as the appropriate official requires to provide a meaningful review; and

(B) a response from the appropriate official not later than 30 days after the date of re-

ceipt by the appropriate official of a request for review under this subsection.

SEC. 107. VERIFICATION OF OFFSET PROJECTS.

(a) IN GENERAL.—As part of the regulations promulgated under this title, the Secretary and the Administrator shall jointly establish requirements, including protocols, for verification of the quantity of greenhouse gas emission reductions that have resulted from an offset project.

(b) VERIFICATION REPORTS.—

(1) IN GENERAL.—The regulations described in subsection (a) shall require an offset project representative to submit a report, prepared by a third-party verifier accredited under subsection (d), providing such information as the appropriate official requires to determine the quantity of greenhouse gas emission reductions resulting from the offset project.

(2) SCHEDULES.—The appropriate officials shall jointly prescribe schedules for the submission of verification reports under paragraph (1).

(3) REQUIREMENTS.—The appropriate official shall specify the required components of a verification report required under subsection (a), including—

(A) the name and contact information for the offset project representative for the offset project;

(B) the quantity of greenhouse gas emission reductions;

(C) the methodologies applicable to the project pursuant to section 105;

(D) a certification that the project meets the applicable requirements;

(E) a certification establishing that the conflict of interest requirements in the regulations promulgated under this title have been complied with; and

(F) any other information that the appropriate official considers to be necessary to achieve the purposes of this title.

(c) APPEALS.—The appropriate official shall establish procedures for appeal and review of determinations made under this section.

(d) VERIFIER ACCREDITATION.—

(1) IN GENERAL.—As part of the regulations promulgated under this title, the appropriate officials shall jointly establish a process and requirements for periodic accreditation of third-party

verifiers to ensure that those verifiers are professionally qualified and have no conflicts of interest.

(2) STANDARDS.—

(A) AMERICAN NATIONAL STANDARDS INSTITUTE ACCREDITATION.—

(i) IN GENERAL.—The appropriate officials may jointly accredit, or accept for purposes of accreditation under this subsection, verifiers accredited under the American National Standards Institute accreditation program in accordance with standard 14065 of the International Organization of Standards.

(ii) REQUIREMENT.—The appropriate officials shall accredit, or accept for accreditation, verifiers under this subparagraph only if the appropriate official finds that the American National Standards Institute accreditation program provides sufficient assurance that the requirements of this title will be met.

(B) USDA AND EPA ACCREDITATION.—As part of the regulations promulgated under this title, the appropriate officials may jointly establish accreditation standards for verifiers under

this subsection, including related training and testing programs and requirements.

(3) PUBLIC ACCESSIBILITY.—Each verifier meeting the requirements for accreditation in accordance with this subsection shall be listed in a publicly accessible database, which shall be maintained and updated jointly by the appropriate officials.

(e) ADDITIONAL TECHNOLOGY.—The Administrator and the Secretary may coordinate and use available resources of any Federal agency, State agency, or other appropriate source that coordinates or collects data from any appropriate technology (including data imaging, remote sensing, light detection and ranging, or other satellite technologies) to verify emission reductions generated under this title.

SEC. 108. ISSUANCE OF OFFSET CREDITS.

(a) ISSUANCE OF OFFSET CREDITS.—The Administrator, in consultation with the Secretary with regards to domestic agricultural and forestry projects, shall issue 1 offset credit to an offset project representative for each ton of carbon dioxide equivalent in emission reductions from an offset project that the appropriate official has verified pursuant to section 107.

(b) TIMING.—Offset credits meeting the criteria described in subsection (a) shall be issued by the Administrator not later than 14 days after the date on which the Administrator receives notice of the determination under section 106, including approval and verification information.

(c) REGISTRATION.—In the case of domestic agricultural and forestry projects the Administrator, in consultation with the Secretary , shall assign a unique serial number to and register each offset project to be issued under this title pursuant to section 103(b).

SEC. 109. AUDITS AND REVIEWS.

(a) IN GENERAL.—The appropriate officials shall, on an ongoing basis, conduct random audits and reviews of offset projects.

(b) MINIMUM AUDITS AND REVIEWS.—For each fiscal year, the appropriate officials shall conduct audits and reviews, at minimum, for a representative sample of project types, geographical areas, verification standards and certified verifiers, and specific administrative processes of that offset program.

(c) PUBLIC AVAILABILITY OF INFORMATION.—The appropriate officials shall make the results of all audits, in the aggregate, and reviews conducted under this section available to the public.

(d) DELEGATION.—

(1) IN GENERAL.—The appropriate official may delegate to a State or tribal government the responsibility for conducting audits under this section if the appropriate official finds that—

(A) the program proposed by the State or tribal government provides assurances equivalent to the assurances provided by the auditing program of the appropriate official; and

(B) the integrity of the offset program under this title will be maintained.

(2) AUDITS BY APPROPRIATE OFFICIAL.—Nothing in this subsection prevents an appropriate official from conducting any audit the appropriate official considers appropriate.

SEC. 110. EARLY OFFSET SUPPLY.

(a) DEFINITION OF QUALIFIED EARLY OFFSET PROGRAM.—In this section, the term ''qualified early offset program'' means any regulatory or voluntary greenhouse gas emission offset program approved under subsection (b).

(b) PROGRAM APPROVAL.—

(1) IN GENERAL.—The administrator of a regulatory or voluntary greenhouse gas emission offset program may apply to the Administrator and the

Secretary for approval as a qualified early offset program under this subsection.

(2) DETERMINATIONS.—The Administrator, in conjunction with the Secretary, shall—

(A) not later than 30 days after the date of enactment of this Act, establish a process to receive applications received under this subsection; and

(B) not later than 180 days after the date of receipt of any application received under this subsection, make a determination on the application.

(3) CRITERIA FOR APPROVAL.—The Administrator, in conjunction with the Secretary, shall approve as a qualified early offset program under this subsection any regulatory or voluntary greenhouse gas emission offset program that—

(A) was established before January 1, 2009;

(B) has developed or approved offset project-type standards, methodologies, and protocols through a public consultation process or a public peer review process;

(C) has made available to the public the standards, methodologies, and protocols of the program for emission reduction projects;

(D) requires that all emission reductions be verified by a State regulatory agency or an accredited third-party independent verification entity;

(E) requires that all issued credits be registered in a publicly accessible registry, with individual serial numbers assigned for each ton of carbon dioxide equivalent emission reductions; and

(F) ensures that no credits are issued for activities for which the administrator of the program has funded, solicited, or served as a fund administrator for the development of the project or activity that caused the emission reduction.

(4) REVOCATION OR DISAPPROVAL.—The Administrator, in conjunction with the Secretary, may—

(A) revoke the approval of a qualified early offset program under this subsection if the program does not meet the criteria described in paragraph (3); or

(B) determine that a regulatory or voluntary greenhouse gas emission offset program shall not be considered a qualified early offset program with respect to a particular project type if, as determined by the Administrator, in conjunction with the Secretary, the standard, methodology, or protocol of the program for that project type fails to ensure that credits only will be provided for emission reductions that are measurable, additional, verifiable, and enforceable.

(c) OFFSET CREDITS.—Subject to subsections (d), (e), and (f), the Administrator, in conjunction with the Secretary, shall issue 1 offset credit for each ton of carbon dioxide equivalent in emission reductions achieved—

(1) under an offset project that commenced after January 1, 2001; and

(2) for which a credit was issued under a qualified early offset program.

(d) INELIGIBLE CREDITS.—Subsection (b) shall not apply to offset credits that have expired or have been retired, canceled, or used for compliance under a program established under State or tribal law (including a regulation).

(e) LIMITATION.—Notwithstanding subsection (c)(1), offset credits shall be issued under this section only for a crediting period pursuant to section 105(c) that—

(1) commences—

(A) not earlier than January 1, 2001; and

(B) not later than the date on which the regulations for methodologies promulgated under this title take effect; and

(2) does not exceed the shorter of—

(A) 10 years; or

(B) the established crediting period for the project (in accordance with the rules of the qualified early offset program).

(f) PRECLUSION OF DOUBLE PAYMENT.—Emission reductions shall not receive credits under this section if the emission reductions—

(1) occurred prior to January 1, 2009; and

(2) were awarded payments pursuant to the authority of the Secretary under the carbon conservation program established under title II.

(g) RETIREMENT OF CREDITS.—The Administrator shall ensure, to the maximum extent practicable, that offset credits described in subsection (c) are retired for purposes of use under a program described in subsection (d).

(h) INTERNATIONAL REDUCED DEFORESTATION PROJECTS.—

(1) IN GENERAL.—Subject to paragraphs (2) and (3), the Administrator shall issue under this subsection 1 offset credit for each ton of carbon dioxide equivalent emissions reduced by an offset project that—

(A) is an international reduced deforestation project;

(B) started after January 1, 2001;

(C) not later than 2 years after the date of enactment of this Act, is registered with a regulatory or voluntary greenhouse gas emission offset program that the Administrator determines—

(i) meets all of the requirements of subsection (b) and

(ii) was established under State law (including regulations) or designated by a State as an offset registry prior to January 1, 2009; and

(D) is issued offset credits for the emission reductions achieved by the project under an offset program for which the Administrator has

made an affirmative determination under subparagraph (C).

(2) INCONSISTENCY WITH CERTAIN PURPOSES.—Paragraph (1) shall not apply if the Administrator makes a determination, not later than 90 days after the date on which public notice is provided of a project petition, that a project is inconsistent with the policies established under any Federal law enacted for the purpose of regulating greenhouse gas emissions to protect the rights and interests of local communities and to protect forest ecosystems.

(3) LIMITATION.—Notwithstanding subsection (e), offset credits shall be issued under this subsection only for greenhouse gas emission reductions that occur under an eligible international reduced deforestation project during the period beginning on January 1, 2009, and ending on—

(A) in the case of a project located in a country that accounts for less than 1 percent of the global greenhouse gas emissions and less than 3 percent of global forest-sector and land use change greenhouse gas emissions, December 31 of the first full calendar year following the

effective date of regulations promulgated to carry out this title; or

(B) in the case of a project located in a country that does not meet the criteria described in subparagraph (A), the date that is 2 years after the date of enactment of this Act.

SEC. 111. PROGRAM REVIEW AND REVISION.

At least once every 5 years, the Administrator, in consultation with the Secretary, shall review, based on new or updated information and taking into consideration the recommendations of the Advisory Committee—

(1) the list of eligible project types established under section 104;

(2) the methodologies established, including specific activity baselines, under section 105;

(3) the reversal requirements and mechanisms established or prescribed under section 105;

(4) measures to improve the accountability of the offsets program; and

(5) any other requirements established under this title to ensure the environmental integrity and effective operation of this title.

SEC. 112. ADDITIONAL REGULATORY STANDARDS FOR EMISSION REDUCTIONS.

(a) IN GENERAL.—Nothing in this title authorizes the Administrator to promulgate any additional regulatory standards for emission reductions from any project or activity (including emission reductions from any non-fossil fuel agricultural source) carried out under this title.

(b) ALLOWANCE OR CREDIT OBLIGATIONS.—No person shall be required to hold allowances or credits for emissions resulting from the use of gas as an energy source if the gas is derived from a domestic methane offset project approved under this title.

(c) RELATIONSHIP TO OTHER LAWS.—Notwithstanding any other provision of law, emissions that are limited under this title shall not be subject to any other limitation that is established under a Federal law enacted or applied for the purpose of regulating greenhouse gas emissions.

SEC. 113. USE OF CREDITS FOR COMPLIANCE PURPOSES.

The Administrator shall promulgate regulations to require that, for each calendar year beginning with the first fiscal year in which the limitation on the emission of greenhouse gases under a Federal law enacted for the purpose of regulating greenhouse gas emissions takes effect, owners and operators of facilities that are subject to regulation under that law may satisfy the allowance sub-

mission requirements of the owners and operators under that law by submitting credits generated pursuant to this title.

TITLE II—CARBON CONSERVATION PROGRAM

SEC. 201. DEFINITIONS.

In this title:

(1) FUND.—The term ''Fund'' means the Carbon Conservation Fund established under section 203.

(2) PROGRAM.—The term ''program'' means the carbon conservation program established under section 202.

(3) SECRETARIES.—The term ''Secretaries'' means the Secretary of Agriculture and Secretary of the Interior, as appropriate.

SEC. 202. CARBON CONSERVATION PROGRAM.

(a) IN GENERAL.—The Secretary of Agriculture shall establish, and jointly administer with the Secretary of the Interior, a carbon conservation program for the purpose of promoting greenhouse gas emissions reduction or carbon sequestration.

(b) FORESTRY ACTIVITIES.—The Secretary of Agriculture shall designate the Chief of the Forest Service to carry out all forestry-related components of the program.

(c) PURPOSES.—

(1) IN GENERAL.—In carrying out the program, the Secretaries shall provide incentives to landowners or grazing contractor holders to carry out projects or activities that reduce greenhouse gas emissions or sequester or permanently store carbon.

(2) ADMINISTRATION.—In administering the program, the Secretaries shall ensure that projects or activities conducted under this title—

(A) do not receive offset credits for the same activity under title I;

(B) reward the continuation of practices by early adopters of conservation practices (including no-till agricultural practices) that provide carbon sequestration benefits;

(C) support the development of new methodologies for landowners to participate in offset projects under title I;

(D) ensure that individuals and entities that took action prior to the implementation of the offset program under title I, and do not qualify for early offset credits under section 110, are not placed at a competitive disadvantage;

(E) improve management of privately-owned agricultural land, grassland, and forest land that results in an increase in carbon sequestration;

(F) avoid conversion of land (including native grassland, native prairie, rangeland, cropland, or forest land) that would result in an increase of greenhouse gas emissions or a loss of carbon sequestration; and

(G) encourage improvements and management practices that include sequestration benefits on Federal land and private land.

(d) METHODS.—

(1) IN GENERAL.—In carrying out the program, the Secretaries shall provide incentives for projects or activities that reduce greenhouse gas emissions or sequester carbon through—

(A) conservation easements;

(B) sequestration contracts;

(C) timber harvest or grazing contracts with the Department of Agriculture or the Department of the Interior, as appropriate; or

(D) any combination of the methods described in this paragraph.

(2) INELIGIBILITY FOR OFFSET CREDITS.—Projects or activities undertaken as part of the program shall not be eligible for offset credits under title I for the duration of the projects or activities.

(e) CONSERVATION EASEMENTS.—

(1) IN GENERAL.—The Secretary of Agriculture shall enroll acreage into the program through the use of permanent easements.

(2) REQUIREMENTS.—To be eligible for enrollment under this title, conservation easements established under this subsection shall—

(A) provide a measurable carbon sequestration benefit; and

(B) meet the requirements of part VI of subchapter B of chapter 1 of subtitle A of the Internal Revenue Code of 1986 and section 170(h)(4) of that Code.

(3) PRIORITY.—In selecting projects for conservation easements, the Secretary of Agriculture shall provide a priority for conservation easements that sequester carbon and protect forested land or working forest land, or protect native prairie or native grassland, within the boundary of a working farm or ranch.

(f) CARBON SEQUESTRATION CONTRACTS.—

(1) IN GENERAL.—The Secretary of Agriculture may offer carbon sequestration contracts under the program for a period of 10 years to farmers, ranchers, and forest owners who perform projects or activities to reduce greenhouse gas emissions or sequester carbon.

(2) WITHDRAWAL.—A nonforestry contract holder may withdraw from a contract under this subsection without penalty after 5 years.

(3) COMPENSATION.—The amount of compensation provided under a contract under this subsection shall be commensurate with the emissions reductions obtained or avoided and the duration of the reductions.

(4) PRIORITY.—In selecting projects under this subsection during each of fiscal years 2012 through 2015, the Secretary of Agriculture shall provide a priority for—

(A) contracts entered into with early adopters of conservation practices (such as no-till agricultural practices), improved forest management, or other greenhouse gas emissions reduction projects; and

(B) contracts that sequester the most carbon on a per acre basis.

(5) CONTRACT.—A contract under this subsection shall specify—

(A) the eligible practices that will be undertaken;

(B) the acreage of eligible land on which the practices will be undertaken;

(C) the agreed rate of compensation per acre; and

(D) a schedule to verify that the terms of the contract have been fulfilled.

(6) FUTURE REDUCTIONS.—If the term of a contract for a sequestration project under this subsection has expired, future reductions under the project may be eligible to receive carbon offset credits if the project and associated reductions meet all applicable offsets criteria under title I.

(7) REVERSALS.—In developing regulations for carbon sequestration contracts under this subsection, the Secretary of Agriculture shall specify requirements to address intentional or unintentional reversal of carbon sequestration during the contract period.

(g) INCENTIVES IN TIMBER HARVEST CONTRACTS.—

(1) IN GENERAL.—The Secretaries shall offer financial incentives under the program through tim-

ber harvest contracts entered into by the Forest Service or the Bureau of Land Management (as appropriate) for projects or management activities that sequester carbon or reduce greenhouse gas emissions.

(2) COMPENSATION.—The amount of compensation provided under this subsection shall be commensurate with—

(A) the emissions reductions obtained or avoided; and

(B) the estimate of the cost of the project or activities undertaken.

(h) INCENTIVES IN GRAZING CONTRACTS.—

(1) IN GENERAL.—The Secretaries shall offer incentives to leaseholders through grazing contracts entered into by the Forest Service or the Bureau of Land Management (as appropriate) for projects or activities that sequester carbon or reduce greenhouse gas emissions.

(2) COMPENSATION.—The amount of compensation provided under this subsection shall be commensurate with—

(A) the emissions reductions obtained or avoided; and

(B) the estimate of the cost of the project or activities undertaken.

(i) DISTRIBUTION OF AMOUNTS.—Of the amounts provided to carry out the program for a fiscal year, at least 30 percent of the amount shall be used for conservation easements described in subsection (e).

(j) PROGRAM MEASUREMENT, MONITORING, AND REPORTING REQUIREMENTS.—

(1) IN GENERAL.—The Secretaries shall submit to the Administrator of the Environmental Protection Agency annual reports that describe—

(A) the total number of tons of carbon dioxide sequestered or the total number of tons of emissions avoided under the program through conservation easements, sequestration contracts, or other methods on an annual and cumulative basis;

(B) any reversals of sequestration; and

(C) the total number of acres enrolled in the program by method and a State-by-State summary of the data.

(2) PUBLIC AVAILABILITY.—The Administrator of the Environmental Protection Agency shall make each report required under this subsection available

to the public through the website of the Environmental Protection Agency.

(k) COORDINATION.—

(1) SECRETARY OF AGRICULTURE.—The Secretary of Agriculture shall coordinate activities under the program with the activities of the Secretary of Agriculture in carrying out—

(A) the conservation reserve program established under subchapter B of chapter 1 of subtitle D of title XII of the Food Security Act of 1985 (16 U.S.C. 3831 et seq.);

(B) the wetlands reserve program established under subchapter C of chapter 1 of subtitle D of title XII of that Act (16 U.S.C. 3837 et seq.);

(C) the farmland protection program established under subchapter C of chapter 2 of subtitle D of title XII of that Act (16 U.S.C. 3838h et seq.) (commonly known as the ''Farm and Ranch Lands Protection Program'');

(D) the grassland reserve program established under subchapter D of chapter 2 of subtitle D of title XII of that Act (16 U.S.C. 3838n et seq.);

(E) the State and private forestry programs of the Forest Service;

(F) the healthy forests reserve program established under section 501 of the Healthy Forests Restoration Act of 2003 (16 U.S.C. 6571); and

(G) other applicable programs.

(2) SECRETARY OF THE INTERIOR.—The Secretary of the Interior shall coordinate activities under the program with the activities of the Secretary of the Interior in carrying out—

(A) programs funded through the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460*l*-4 et seq.);

(B) any applicable climate adaptation programs; and

(C) other applicable programs.

(l) REVIEWS.—

(1) IN GENERAL.—Not later than 5 years after the date of enactment of this Act and every 5 years thereafter, the Secretaries shall—

(A) conduct a review of the activities carried out under this title; and

(B) make any appropriate changes in the program, in a manner consistent with this section, based on the findings of the review.

(2) REVIEW.—Each review shall include a review of—

(A) total emissions reductions and sequestration achieved by activity type;

(B) the net effect on average farm income by activity type;

(C) the potential for future emissions reductions and sequestration by activity type; and

(D) recommended changes to the program based on the review.

SEC. 203. CARBON CONSERVATION FUND.

(a) ESTABLISHMENT.—There is established in the Treasury a separate account, to be known as the ''Carbon Conservation Fund'', to carry out this title.

(b) AVAILABILITY.—All amounts deposited into the Fund shall be available without further appropriation or fiscal year limitation.

(c) USE.—The Secretary shall use amounts in the Fund to carry out this title.

TITLE III—RURAL CLEAN ENERGY RESOURCES

SEC. 301. FINDINGS.

Congress finds that—

(1) lifecycle greenhouse gas emissions associated with the production and use of biofuels, bioproducts, and bioenergy may be significantly lower than the emissions associated with the production and use of fossil fuels;

(2) the United States has the potential to significantly increase the production and use of biofuels and bioenergy;

(3) expanding the production and use of biofuels and bioenergy offers a significant opportunity for rural economic development and enhancing national energy security; and

(4) several programs authorized or funded under the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8701 et seq.) are designed to accelerate the development and deployment of technologies for expeditiously expanding domestic biofuels and bioenergy production.

SEC. 302. BIOREFINERY ASSISTANCE.

Of the amounts in the Rural Clean Energy Resources Fund established under section 305, the Secretary shall use—

(1) not less than 20 percent to provide grants under section 9003 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8103); and

(2) not less than 60 percent to provide loan guarantees under that section.

SEC. 303. REPOWERING ASSISTANCE.

Section 9004 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8104) is amended—

(1) by redesignating subsections (a) through (d) as subsections (b) through (e), respectively;

(2) by inserting after the section heading the following:

''(a) DEFINITION OF ELIGIBLE ENTITY.—In this section:

''(1) IN GENERAL.—The term 'eligible entity' means—

''(A) a biorefinery; or

''(B) a power plant or manufacturing facility that—

''(i) has a combined thermal and electrical energy conversion capacity of not greater than 75 megawatts; and

"(ii) is located in a rural area (as defined in section 343(a) of the Consolidated Farm and Rural Development Act (7 U.S.C. 1991(a))).

"(2) EXCLUSION.—The term 'eligible entity' does not include an energy-intensive trade-exposed facility.";

(3) in subsection (b) (as redesignated by paragraph (1))—

(A) by striking "IN GENERAL" and inserting "PROGRAM"; and

(B) by striking "biorefineries" each place it appears and inserting "eligible entities"; and

(4) in subsections (c) and (d) (as so redesignated)—

(A) by striking "a biorefinery" each place it appears and inserting "an eligible entity"; and

(B) by striking "biorefinery" each place it appears and inserting "eligible entity".

SEC. 304. RURAL ENERGY FOR AMERICA PROGRAM.

(a) IN GENERAL.—Of the amounts in the Rural Clean Energy Resources Fund established under section 305, the Secretary shall use such funds as are appropriate to carry out the Rural Energy for America Program under

section 9007 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107).

(b) LIMITATION ON GRANTS.—Section 9007(c)(4)(A) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107(c)(4)(A)) is amended by striking ''25 percent'' and inserting ''50 percent''.

SEC. 305. RURAL CLEAN ENERGY RESOURCES FUND.

(a) ESTABLISHMENT.—There is established in the Treasury a separate account, to be known as the ''Rural Clean Energy Resources Fund'', to carry out this title and title IV.

(b) AVAILABILITY.—All amounts deposited into the Fund shall be available without further appropriation or fiscal year limitation.

(c) USE.—The Secretary shall use amounts in the Fund to carry out this title and title IV.

TITLE IV—AGRICULTURE AND FORESTRY RESEARCH FOR GREENHOUSE GAS MITIGATION

SEC. 401. FINDINGS.

Congress finds that—

(1) as of the date of enactment of this Act, the agricultural and forestry sectors of the United States extract the equivalent of about 12 percent of

the annual greenhouse gas emissions of the United States through carbon dioxide absorption from the atmosphere;

(2) that percentage can be significantly increased through a number of activities that increase carbon sequestration in soils or forests;

(3) agriculture and forestry are experiencing the effects of global warming, which are expected to increase; and

(4) adaptation practices to mitigate the effects of global warming are needed to sustain agricultural and forest productivity and health.

SEC. 402. RESEARCH AND DEMONSTRATION PROGRAM.

(a) IN GENERAL.—The Secretary shall carry out research and demonstration activities regarding—

(1) approaches to sequestering carbon through agricultural, grazing, and forestry practices, including quantification of sequestration effects;

(2) approaches to reducing methane emissions associated with agricultural production (including livestock and crop production), including quantification of those reductions;

(3) approaches to reducing nitrous oxide emissions associated with agricultural production (includ-

ing crop and livestock production), including quantification of those reductions;

(4) approaches to adaptation of agriculture and forestry practices to the effects of global warming in order to maintain productivity and natural resources;

(5) new approaches to soil carbon sequestration, such as the production of biochar and the use of biochar as a soil conditioner.

(6) approaches to help specialty crop producers to reduce net greenhouse gas emissions or sequester carbon; and

(7) methods to reduce uncertainties in estimating greenhouse gas emission reductions and carbon sequestration through agricultural and forestry activities.

(b) FUND.—Of the amounts in the Rural Clean Energy Resources Fund established under section 305, the Secretary shall use such funds as are appropriate to carry out this section.