

Inflation Reduction Act: Agricultural Conservation and Credit, Renewable Energy, and Forestry

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Overview

On August 7, 2022, the Senate passed what is often referred to as the [Inflation Reduction Act of 2022](#), a substitute to the House-passed Build Back Better Act (BBBA, H.R. 5376). Both bills are budget reconciliation measures, which allow for an increase in spending pursuant to the [FY2022 budget resolution](#).

Programs in the jurisdiction of the House and Senate Agriculture committees are included in each bill. The [BBBA would have increased](#) agriculture spending by \$82 billion over the 10-year period FY2022-FY2031. The Senate bill includes a subset of nearly \$38 billion for agricultural conservation, credit, renewable energy, and forestry. Funding would remain available only through FY2031. The Senate bill excludes entirely BBBA sections for agriculture research and facilities and rural water.

Agricultural Conservation

The Inflation Reduction Act would provide \$19.5 billion for agricultural conservation. It would add over \$18 billion in additional funding for existing farm bill conservation programs, including the Environmental Quality Incentives Program (EQIP; \$8.45 billion), Regional Conservation Partnership Program (RCPP; \$4.95 billion), Conservation Stewardship Program (CSP; \$3.25 billion), and Agricultural Conservation Easement Program (ACEP; \$1.40 billion), cumulatively \$4.25 billion less than proposed in the BBBA. These programs provide financial and technical assistance to private landowners to voluntarily implement [conservation practices on agricultural land](#). Program funds would be directed to climate change-related goals and would prioritize mitigation activities. The Senate bill would also extend some of these programs' authorities beyond their current expiration in FY2023, to FY2031. Some program authorities would not be extended, such as payment and income limits. Additional funding would also be

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provided for conservation technical assistance (\$1.0 billion), a carbon sequestration and greenhouse gas emissions quantification program (\$300 million), and administrative expenses (\$100 million).

Agricultural Credit

The Inflation Reduction Act would provide debt relief for distressed farm borrowers and assistance for underserved farmers and ranchers. These provisions would replace similar provisions from the American Rescue Plan Act (ARPA; P.L. 117-2, §§1005-1006) [that were blocked by the courts](#) because the relief was found to be race-based and not narrowly tailored to meet a compelling state interest. It would use budgetary offsets of about \$6 billion would be rescinded or repurposed from the ARPA funding.

The new debt relief program would provide \$3.1 billion for debt modifications, including debt forgiveness, for “distressed borrowers” of U.S. Department of Agriculture (USDA) Farm Service Agency direct or guaranteed farm loans “whose agricultural operations are at financial risk.” USDA is expected to develop the criteria for eligibility.

The Senate bill also includes nearly \$2.9 billion to help underserved farmers, ranchers, and forest landowners, defined to include those living in high poverty areas, veterans, limited resource producers, and beginning farmers and ranchers. Most of this assistance is \$2.2 billion of financial assistance for those who experienced discrimination before 2021 in USDA farm lending programs. Individual payments for discrimination would be limited to \$500,000 and are to be administered by nongovernmental entities selected and overseen by USDA. The bill also would provide \$125 million for technical assistance, outreach, and mediation; \$250 million for land loss assistance, such as heirs’ property and fractionated land; \$250 million for agricultural education emphasizing scholarships and career development at historically Black, tribal, and Hispanic colleges; and \$10 million for equity commissions at USDA.

Renewable Energy

The Inflation Reduction Act would support renewable energy initiatives, primarily by providing \$13.3 billion for farm bill energy title programs. It would provide \$1 billion for electric loans for renewable energy under the Rural Electrification Act. USDA may use the funding to make loans for electric generation from renewable energy resources, including for projects that store electricity. The bill would provide approximately \$1.7 billion for eligible projects under the Rural Energy for America Program (REAP; 7 U.S.C. §8107) and approximately \$304 million for grants and loans for underutilized renewable energy technologies and technical assistance with REAP applications. The bill would amend 7 U.S.C. §8103 to provide \$500 million for grants to increase the sale and use of agricultural commodity-based fuels through infrastructure improvements for blending, storing, supplying, or distributing biofuels. For rural cooperatives, it would provide \$9.7 billion—for financial assistance (e.g., loans) to eligible entities for the long-term resiliency, reliability, and affordability of rural electric systems through the purchase of renewable energy, renewable energy systems, zero-emission systems, carbon capture and storage systems, and more.

Sections in other titles of the Senate bill pertain to rural and renewable energy, specifically biofuels. For example, the bill would provide \$5 million to the U.S. Environmental Protection Agency to carry out the Renewable Fuel Standard program, in part, for data collection and analyses for lifecycle greenhouse gas emissions of a fuel and would provide \$10 million for new grants to support investment in advanced biofuels. The bill would establish a sustainable aviation fuel tax credit that would, after 2024, be absorbed into a new clean fuel production tax credit. Lastly, the bill would extend certain tax incentives for biofuels, including for biodiesel and renewable diesel.

Forestry

The Inflation Reduction Act would provide \$5.0 billion in Subtitle D of Title II for forest management, planning, and restoration activities for [federal and nonfederal forests](#), \$22 billion less than the BBBA, which covered a wider array of forestry activities.

The funding in the Inflation Reduction Act would include \$2.15 billion for management of the [National Forest System](#) (NFS, administered by the U.S. Forest Service), including funding for hazardous fuel reduction or vegetation management projects on NFS lands, for inventorying and protecting old-growth and mature forests on NFS lands, and for improving environmental reviews. Subtitle D would also include \$2.75 billion to support [grants and other financial assistance for nonfederal forest management](#), including funding for urban and community forestry programs. The grant programs would support climate mitigation activities on nonfederal forests, facilitate participation in [forest carbon markets](#), and support the development and application of innovative wood products. Several of the grant programs would be specifically targeted to support the participation of “underserved forest landowners.”

Author Information

Jim Monke
Specialist in Agricultural Policy

Kelsi Bracmort
Specialist in Natural Resources and Energy Policy

Megan Stubbs
Specialist in Agricultural Conservation and Natural
Resources Policy

Katie Hoover
Specialist in Natural Resources Policy

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