

November 19, 2010

SOIL CARBON PAYMENTS END

Since the fall of 2005, a large group of no-till farmers in Saline, Jefferson and Gage County participated in a pilot project with the Iowa Farm Bureau subsidiary called AgraGate. No-till and CRP grass acres were pooled in groups, verified and registered with the Chicago Climate Exchange (CCX) voluntary emissions reduction exchange.

Since 2003, CCX memberships grew significantly with examples such as Rolls-Royce, Ford Motor Company, Dow Corning, DuPont, FMC and American Electric Power. The members agreed to reduce emissions without government intervention. If they fell short of the emission reduction goal, no more than 50% could be offset on the CCX exchange.

AgraGate had pooled almost a million acres of farm ground in Nebraska including rangeland, CRP and continuous no-till acres. Participants enrolled the land in the exchange with long-term contracts. A large number of carbon sequestration contracts in Nebraska were also pooled by Farmers Union and SunOne Solutions.

AgraGate has announced the no-till carbon contracts with farmers will be ending this year. Did the contracts amount to a lot of money to local producers? No. Did it prove the process could be accomplished? Yes.

David Miller with AgraGate recently shared some thoughts via email. He said from his vantage point, he does not see a likelihood of a national compliance market that would need or allow agricultural offsets developing in the U.S. in the foreseeable future or for at least 5 to 10 years.

The CCX has announced that the Phase II reduction and offset program will end on December 31, 2010. The CCX has indicated that for 2011 and 2012, they will be operating an offset registry program that is independent of the current program. Details are not known at this time. It is anticipated that it will be based to a large degree on existing protocols, although some modifications may be made. The CCX will continue with a membership component, but members will NOT be subject to verified emission reporting or binding reduction targets.

The current voluntary market for offsets has demonstrated a preference for methane destruction projects and to a lesser degree, afforestation projects with "a story". There appears to be little demand in the voluntary market for offsets from soil sequestration projects (i.e. no-till farming, rangeland or CRP).

Jace Nore representing SunOne Solutions at a Nebraska Carbon Task Force meeting in Lincoln indicated there are some regional initiatives and private company initiatives their company is looking into. Agricultural sequestration projects could possibly be involved, it is a wait and see scenario at this time.

A new emerging issue is the interest by certain manufacturers on "carbon footprinting" or "sustainability indexing." An example is the Field to Market project. This project was launched



last spring at the Crete Mill with 23 local corn producers. The committee also included officials from Bunge, Kellogg and the agricultural industry. The interest lies in improving the energy efficiency of the product and reducing the carbon footprint on a per-unit basis. The National Dairy, Beef and Pork Checkoffs are all funding some work in this area to some extent in the United States.

There is no visible role for carbon credits in the local Field to Market program but the rankings and first report should make for some interesting discussion when the corn producers and industry meet again this winter.

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