



December 9, 2005

NEW CARBON POOL OPENS UP

The first checks to Nebraska no-till farmers for selling carbon offsets hit the mailboxes last week. Granted, they were not large checks, it still is history, so to speak, for 255 contract holders in Nebraska. Saline County farmers are participating in 60 carbon contracts, Gage in 87 and Jefferson County has 34 carbon contract holders.

Continuous no-tillers are participating in a soil carbon pool and sales contract for exchange soil offsets from the Chicago Climate Exchange (CCX). The CCX is a commodity exchange organization for greenhouse gas emissions that just announced a new phase in their project. The aggregator of acres for the pilot project, Iowa Farm Bureau, has recently announced a new phase for carbon offset contracts in the nation's corn belt from 2006 through 2010.

The Iowa Farm Bureau will be accepting new applicants in contracting with producers/landowners in parts of Nebraska through June of 2006 for land that is under continuous no-till or is in new grass plantings. This land is considered to be accumulating "carbon credits" through a process called carbon sequestration. These carbon credits can be leased to potential buyers for a set period of time. Under terms of the contract in this program, the land must remain in no-till cropland or grass for a 5-year period -- 2006 through 2010. Iowa Farm Bureau will aggregate all the credits they have under contract and sell them in one or more large units on the CCX Board. The price of credits fluctuates daily, depending on supply and demand, as with any other commodity exchange. Once the Iowa Farm Bureau sells the credits on the CCX, the Iowa Farm Bureau will send the money to those who signed contracts within 30 days of the sale.

Companies that participate on the exchange have voluntarily agreed to reduce their greenhouse gas emissions over the life of the contracts. If they miss their target, they can buy soil carbon offsets to meet their goals. They can also buy offsets from other companies that exceed their goal in reducing CO₂ in the atmosphere. But there is a limit. Companies can buy only 50% of their carbon reductions as exchange offsets from farmers or other companies.

In November, David Miller at Iowa Farm Bureau sold Nebraska carbon soil offsets for a net price of \$1.97 for an exchange soil offset. Multiply this amount by one-half to calculate payment rate per acre. This means, Pool Two participants received just shy of \$1.00 per acre for November sales. The amount sold in November was about one-twelfth of the 2003 and 2004 contracted acres. Miller says it is like being the third contract holder in the oats pit. You can't unload everything you have all at once. The December checks mailed to Nebraska farmers are just one of 7 or 8 that will complete 2003 and 2004 soil carbon offset sales.

Existing contract holders are guaranteed participation in the future if they sign paperwork this winter that will be mailed to them by Iowa Farm Bureau. Wait for a letter from David Miller.

To participate in the pilot project, a farmer certifies a field will be in no-till during the life of the contract and they will annually certify acres to David Miller at Iowa Farm Bureau. Iowa Farm Bureau aggregates acres and works with the CCX. No-till acres are ground truthed via spot



checks. Documents to enroll in Pool Three are now on the following website:
www.iowafarmbureau.com/special/carbon/default.aspx. Hit the link--XSO contract information
2006. Producers fill out an enrollment worksheet, include FSA maps and send a copy of FSA
CCC-578 to enroll in the new pool. For more information about carbon payments, feel free to
give me a call at 821-2151 or e-mail rpryor1@unl.edu.

Randy Pryor, Extension Educator
University of Nebraska-Lincoln Extension in Saline County
306 West 3rd Street, Wilber, NE 68465
Phone (402) 821-2151 • Fax (402) 821-3398 • e-mail: randy.pryor@unl.edu