

Lugar Farm is first in Indiana to provide carbon sequestration offsets on the Chicago Climate Exchange

Thursday, May 18, 2006

U.S. Sen. Dick Lugar's Marion County farm is the first in Indiana to participate in the Chicago Climate Exchange.

Audio comments from the press conference are available at <http://src.senate.gov/lugar/radio/> and via telephone at 1-800-545-1267; press 407 for the Lugar mailbox.

"I am pleased to announce that the Lugar Stock Farm has enrolled as an offset provider in the Chicago Climate Exchange. The Lugar Stock Farm is an active corn, soybean, and hardwood tree farm in Marion County, Indiana. Our farm will be the first in Indiana to enroll in this important exchange. I am hopeful that farmers in Indiana and elsewhere will investigate the possibility of enrolling in the exchange. This not only will encourage the practice of sequestering carbon, it will provide an additional source of farm income to those who qualify," said Lugar.

"I believe that a bold future of increased economic opportunities is opening to Hoosier farmers. They can generate higher farm incomes and contribute greatly to solving our nation's energy problems by growing the grain for ethanol production that reduces our dependence on oil. As technology becomes more sophisticated, markets will expand for fuel produced from grasses and agronomic and livestock wastes. Today, we are alerting farmers to the economic opportunities associated with solving environmental challenges through proven agricultural practices. I am confident that Hoosier farmers will take advantage of these opportunities and contribute, as they always have, to the security and prosperity of our nation," said Lugar, a member of the Senate Agriculture, Nutrition and Forestry Committee, and a former chairman of the committee.

Lugar also has been supporting major tree efforts by Indianapolis Mayor Bart Peterson. "Today's announcement once again shows Senator Lugar's commitment to our city and state," Mayor Peterson said. "I am happy to learn that his Indianapolis tree farm is the first in Indiana to participate in a market based solution to addressing climate change. Trees have a positive impact on climate change. In Indianapolis, I am advocating the strategic planting of 100,000 trees over the next ten years to not only beautify our neighborhoods, but to also improve the environment, which is so important to us all."

The 604-acre family-owned Lugar farm in Marion County, Indiana produces corn and soybeans. A third of the farm is a classified hardwood tree farm, including significant acreage in black walnut trees that were planted in recent years. Growth of these trees produces oxygen and removes carbon dioxide from the air. The rising concentration of carbon dioxide in the earth's atmosphere is associated with the risk of global climate change, which could have profound effects on ecosystems, agriculture and human health.

"As a Hoosier farmer, I seek ways to ensure the economic productivity of our farming operation. I utilize risk management tools such as federal crop insurance and commodity markets, and I seek ways to add value to the products grown on our land. Nearly 20 years ago, I began converting about 200 of the 604 acres on our farm to hardwood trees. As these majestic trees grow, they absorb and store carbon from the air around Indianapolis. Increasingly, the global community is recognizing the potential perils of climate change. The ability of farmers and others to remove carbon from the atmosphere and store it through methods such as tree farming and no-till planting are an important part of the solution," Lugar said.

"The Lugar Stock Farm has entered into a binding contract with the Chicago Climate Exchange to provide offset carbon credits, or carbon that entities may want to use to mitigate or offset the amount of greenhouse gasses they may produce. Based on our management practices, tree age, tree density, and other factors, the Chicago Climate Exchange estimates that our farm will capture about 3,400 metric tons of carbon in these trees.

Instead of selling these offset credits directly to specific generators of carbon, the Chicago Climate Exchange operates as a market discovery mechanism similar to corn and soybean markets where willing buyers and sellers transact business based on commodity prices. The Lugar Stock Farm maintains legal ownership of these offset credits until a market decision is made to sell them on the exchange. Yesterday, carbon credits were trading at \$3.50 per metric ton. Additionally, our farm is responsible for reporting any loss of trees, or the addition of trees, to ensure that carbon is being stored. Similar situations now involve U.S. livestock operations and no-till farmers,” continued Lugar.

“Under the energetic leadership of Dr. Richard Sandor, the Chicago Climate Exchange is providing an innovative means of involving American businesses and citizens in the effort to protect the environment. Our nation’s leading companies are buying and trading units of carbon as a way to reduce their impact on climate change. I am hopeful that the economic opportunities provided by the Exchange will enhance the incentives farmers already have to participate in the sequestration of carbon,” Lugar said.

Chicago Climate Exchange (CCX) brings together over 170 entities dedicated to building cost-effective, market-based systems for reducing greenhouse gas emissions. Members of CCX include leading companies such as Ford, American Electric Power and IBM, cities such as Chicago and Portland, the State of New Mexico, and major universities, traders and environmental professionals. CCX is an integrated system of rules governing monitoring and independent audit, as well as electronic trading and registry platforms. CCX Members commit to reduce their greenhouse emissions 4 percent by the end of 2006, and 6 percent by 2010. Members can reduce emissions internally, and can partner with other members through trading to achieve reductions wherever most practical. Trading allows members to comply by financing emission cuts at facilities of other members, or through offset projects, including reforestation projects. Reforestation and other agricultural projects including continuous conservation tillage and methane capture mitigate global carbon emissions and yield local environmental benefits, such as cleaner water and wildlife habitat.

“I want to encourage farmers to explore this new opportunity to increase their farm income by using carbon-absorbing environmental practices. We have had testimony in the Senate Agricultural Committee about the potential for farmers to receive ‘green payments’ and now that opportunity can be realized. I would also encourage agricultural and environmental organizations to explore how they may help promote these opportunities among our industries, communities and landowners,” Lugar said.

“Lugar Stock Farms’ membership in CCX demonstrates Senator Lugar’s long-standing personal commitment to sustainable agriculture and forestry. He understands the role that market-based mechanisms can play in rewarding the environmental services provided by farmers, foresters and ranchers. We are honored and proud to be able to further build this environmental market with the help of Senator Lugar’s farm as a source of emission offsets.” said Dr. Richard L. Sandor, Chairman and CEO of CCX.

Farmers who undertake reforestation, methane collection, continuous conservation tillage or grass plantings may be eligible to earn emission offsets and should contact Nathan Clark at (312) 554-0819.

About Chicago Climate Exchange (CCX): Chicago Climate Exchange is North America's only, and the world's first, legally binding multi-sectoral, rule-based and integrated greenhouse gas emission registry, reduction and trading system. CCX is the only available mechanism through which U.S. based entities may engage in the integrated carbon market with a linked reduction and trading system and is a vital tool for understanding the price of carbon in all operations. CCX members range from large industrial concerns such as DuPont, International Paper, Baxter Healthcare and Temple-Inland, to utilities such as Manitoba Hydro, Tampa Electric and Green Mountain Power, to universities such as Iowa and Minnesota, to non-governmental organizations such as World Resources Institute and Rocky Mountain Institute, to cities such as Portland, OR, Oakland, CA and Chicago, IL, to farmers in Iowa and Nebraska and the Iowa Farm Bureau, to the State of New Mexico, the

first U.S. state to join CCX. Eligible emission offset projects include agricultural soil carbon sequestration, reforestation, landfill and agricultural methane combustion, and switching to lower-emitting such as biomass-based fuels. See www.chicagoclimateexchange.com.