

Maximizing the Potential for Agriculture to participate in the Carbon Market.

Perhaps a better name would be “Realizing the Potential of Agriculture to Contribute to the Reduction of Greenhouse Gases”

The potential for the agricultural and forestry sectors to make significant contributions to the reduction of greenhouse gases through the use of proper management techniques which encourage the reduction of emissions and sequestration of carbon in the soil and biomass have been well documented. A recent report, released last month by the Pew Center on Global Climate Change estimated that sequestration practices alone on agricultural lands could offset nearly 20% of current emissions of carbon dioxide from US combustion of fossil fuels and that an additional 9 to 24% of current emissions could be offset through the use of biofuels.

By this point in the day you've already heard about the potential opportunities ranging from emission reduction practices, both direct and indirect, to sequestration practices. The unique element in most if not all of these practices is the additional environmental and quality of life benefits that these practices have to offer beyond the reduction of greenhouse gases;

improved soil health,
reduced erosion,
odor control, improved habitat,
improved air and water quality,
domestic energy security,
and enhanced bottom line.

To name a few.

Beyond the obvious additional benefits each practice has to offer, the emerging carbon market offers policy makers a unique

opportunity to link policy between agriculture, the environment and energy.

The emerging carbon-market coupled with the ramped-up state and federal efforts to increase renewable fuels could well be the most significant transformation in agriculture since the introduction of the tractor. Of course it should be noted that mechanization brought with it a whole set of negative impacts as well (dust bowl years).

Opportunities do not come without challenges. Perhaps the biggest current challenge associated with carbon trading right now is, how to alleviate the high level of uncertainty (stress) surrounding the emerging market. This uncertainty can manifest itself in many forms;

Is the price fair?

Issues of credit ownership?

What is the Legal liability?

What are the economic impacts of changing practices to sequester carbon?

Length of contract?

Recourse if a broker goes under?

Are cost-shared practices eligible?

Voluntary Programs v.s. Mandatory Programs?

Methods used to determine offsets?

Current conflicting policies?

Green payments vs. REC's vs. ERC's?

While not all of these questions may directly impact individual producers they are none-the-less valid concerns.

What is needed to combat these uncertainties is a comprehensive, coordinated and consistent approach to agriculturally-based generation and trading or selling of offset credits. A major component of which needs to answer couple of central questions:

1. What incentives will be required to motivate farmers to get involved and stay involved in practices that reduce emissions and sequester carbon?
2. What issues must be addressed to ensure that carbon trading outcomes are positive for farmers?

Once this is in place we can begin to not only realize, but to also maximize the considerable potential agriculture holds in the carbon market.

As the carbon market matures winners and losers will begin to emerge. In the near term questions will most likely outweigh “consistent” answers. Conferences and trainings such as this will continue to prove invaluable as we go forward in trying to reach the potential agriculture has to offer in this arena. Each of you here today are on the leading edge of this emerging market and therefore on the leading edge of the learning curve. Hopefully, through these types of trainings we can ensure that as the carbon market goes forward, trading outcomes are positive for farmers, only then can we reach the full potential of agriculture in the context of reducing greenhouse gas.

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