Farm Foundation Carbon Policy Forum

The Role of Agriculture and Forestry in a Reduced Carbon Economy

National Press Club
June 2, 2009
25x’25 Carbon Initiative

- Organized in spring of 2008
- Led by a work group composed of over forty respected agricultural, forestry and conservation leaders

Mission:

- facilitate agriculture and forestry sector dialogue on our role in a reduced carbon economy, and
- help identify climate change solution sets they can provide
Areas of Focus

- Ag and forestry impacts and opportunities
- Mechanisms to manage GHG emissions
- Consequences of policy choices
- How ag and forestry could best participate in emerging carbon markets
- Cap-and-trade guiding principles and policy imperatives
Key Findings

- Agriculture and forestry are uniquely positioned to deliver low-cost offsets, in quantity, during the early years of a cap and trade program when a quick start is most urgent.

- Agriculture and forestry have much to gain from this opportunity.
Reduction Opportunities

- **Sequestration**
  - Conservation tillage and crop rotations
  - Cover crops
  - Grazing practices
  - Forestation, reforestation, forest management

- **Avoided emissions**
  - Biofuel production
  - Thermal bio-power and bio-heat
  - Renewable electrical power

- **Emission reductions**
  - Manure management
  - Fertilizer practices
Primary Challenges

- Costs
  - Changes in operating practices
  - Tracking and selling offsets
  - Increased input cost (esp. fuel and fertilizer)

- Getting the correct enabling policy in place

- Development of viable markets

- Informing ag and forest sectors of opportunities, challenges, alternatives and consequences

- Shaping our own destiny
Offsets Are Critical for Cap & Trade

- Induces Change in Uncapped Sectors
- Reduces Program Costs
- Produces Large Volumes Earlier
- Fills the Timing Gap; Bridges to the New Paradigm Future
Cap-and-Trade with Offsets – A Good Timing Match

Net Actual Emissions (Under Cap)

Capped Sectors Represent Over 85% of Emissions:
- Electric Power Industry
- Transportation
- Industry

Response from Uncapped Sectors:
- Agricultural Offsets
- Forestry Offsets
- Other Offsets

Energy Efficiency

Response from Capped Sectors

Business as Usual...

The New Paradigm Future

Total U.S. GHG Emissions under Cap & Trade (billion metric tonnes)

This is a visual portrait. It is NOT based on actual numeric forecasts.

Farm and forestry offset services – UNDER A PROPERLY DESIGNED PROGRAM - offer a great advantage to the capped sectors under cap-and-trade. Key benefits include: Immediate delivery of low-cost reductions to capped sectors; low-cost abatement opportunities that will reduce energy costs to American households; a growing volume of reductions as carbon prices rise over time in response to a declining cap; a saturation of the biological sequestration sources of emissions reductions at a time when the capped sectors have ample opportunity to overcome capital turnover times, and the requisite technological solution development demanded by the fundamental paradigm shift to a low-carbon economy.
Waxman-Markey Offsets Limitations

- Biological Sequestration Offsets Rules
- Market Efficiency Plans
- Operational Efficiency
- Early Action
- USDA Role
- Quick Start Planning
- Domestic Offset Parity with International Offsets Opportunities
Waxman-Markey Supplemental Problems

- Indirect Land Use Change
- Renewable Biomass
  - Eligible Land Sources
  - Eligible Definitions