



POWER Communication

Policy Outreach and Effective Results

POLICY AND ISSUE DISCUSSION SHEET

Carbon Credit Trading

Defining the Issue

Science involving climate change is simple, energy consumption and fuel use emits greenhouse gases like carbon dioxide, more heat is trapped in the atmosphere, raising global temperatures and affecting the climate. Strategies addressing climate change are more complex. Community stakeholders on local, national and international levels are looking at agriculture to take a leadership position in carbon sequestration, the long-term removal and capture of atmospheric carbon dioxide in soils to mitigate or reverse climate change. Market-based programs are being developed to help address part of the issue.

AFBF Policy

Climate Change – We support: 1.) Market-based incentives, such as pollutant credit trading, are preferable to government mandates; 2.) Science-based, peer-reviewed research to determine the causes and impacts of global climate change; 3.) A voluntary market-based carbon credit trading system that is not detrimental to other agricultural producers; 4.) Compensation to farmers for planting crops or adopting farming practices that keep carbon in the soil or plant material; and 5.) Scientific research to document the continuous improvement and beneficial impact of agricultural efforts designed to increase climate resilience, improve water quality and soil health, sequester more carbon in the soil and prevent soil erosion.

OFBF Policy

Land Use Planning - We encourage the development of educational programs to improve the understanding of farmland preservation and land-use issues. Topic of importance include conservation security and carbon credit programs.

Conservation and Market Based Incentives - We support the development, promotion and education of farmers about market-based incentive programs, such as nutrient and carbon credit trading as alternatives to government prescriptions.

Policy Backgrounder

Carbon markets are not new. Sanctioned “cap-and-trade” systems assign allowances to businesses on how many metric tons of carbon dioxide (CO₂) they can emit. Those who emit less or provide resources to sequester more CO₂ than their annual allotment can sell recognized credits to others, pushing everyone to cut emissions faster. The European Union Emissions Trading System (EEX), the California Air Resources Board and the Regional Greenhouse Gas Initiative (RGGI) in the eastern U.S. have been linking buyers and sellers of carbon credits for nearly two decades. Futures contracts offered by exchanges across the globe give these markets an international reach but more work needs to be done to make a truly global market exchange operational.

The main international carbon market scheme existing today was set up under the U.N.’s 1997 Kyoto protocol. Under that agreement, developed countries had targets to reduce their greenhouse gas emissions, but developing countries did not. So, if a developing country reduced its emissions by creating effective power generation, fuel use and/or environmental mitigation policies, they could sell “credits” to a developed country, which could count that emission reduction in its own target.

Several developed nations cite that the Kyoto protocol allows for “double-counting” of emissions reductions; calling into question the underlying value of credits and weakening the system. The Paris Climate Accord calls for rule revisions where all nations have emissions reduction targets.

Meanwhile, Midwest farmers are being approached to actively participate in carbon exchange activities. Several farm service, market brokerage and/or aggregation firms are inviting farmers to actively employ carbon sequestration practices (conservation and/or no-till cultivation, cover crops and other techniques) to use their farm fields to sequester carbon long-term. These practices translate to selling carbon credits based on the number of acres engaged and/or metric tons of carbon stored in their fields.

Just like cash grains and livestock, sequestered carbon needs to be genuine, authentic and commodity-based. Carbon credits will be seen as *Verified Emissions Reduction Securities (VERS)* if they meet the following standards:

- **Additionality:** Going beyond what is normal; ensuring that efforts are above and beyond regular processes already present through common practices.
- **Leakage:** Creating formulas/mitigation buffers to account for adverse impacts where offsets in one area do not undo efforts in another area.
- **Permanence:** Establishing an acceptable time period in which the security will have intrinsic value and expiration.

- **Monitoring:** System to inspect, audit and insure that the underlying materials/activities leading to the value of the VERS are actually there.
- **Registry Service:** An accredited infrastructure is in place providing links between farmers, brokers and exchanges. The platform should be regulated by the Commodity Futures trading Commission (CFTC) and/or Securities Exchange Commission.

Discussion Questions

1. What role should the Farm Bureau play in carbon markets? General education about carbon markets? Inform members about opportunities to participate? Sit back and do nothing?
2. Participants in carbon markets will need to allow for credit verification. How comfortable would you be having these individuals visit your farm?
3. In your opinion, is a single uniform carbon credit program administered by an U.S. federal governmental agency better than multiple private programs each having their own sets of rules and qualifications?
4. When it comes to potential cash value and permanence, how long should a carbon credit last?
5. How would your council define the “balance” between economic and environmental benefit?