

# US Climate Policy: Is Agriculture a Player or By-Stander

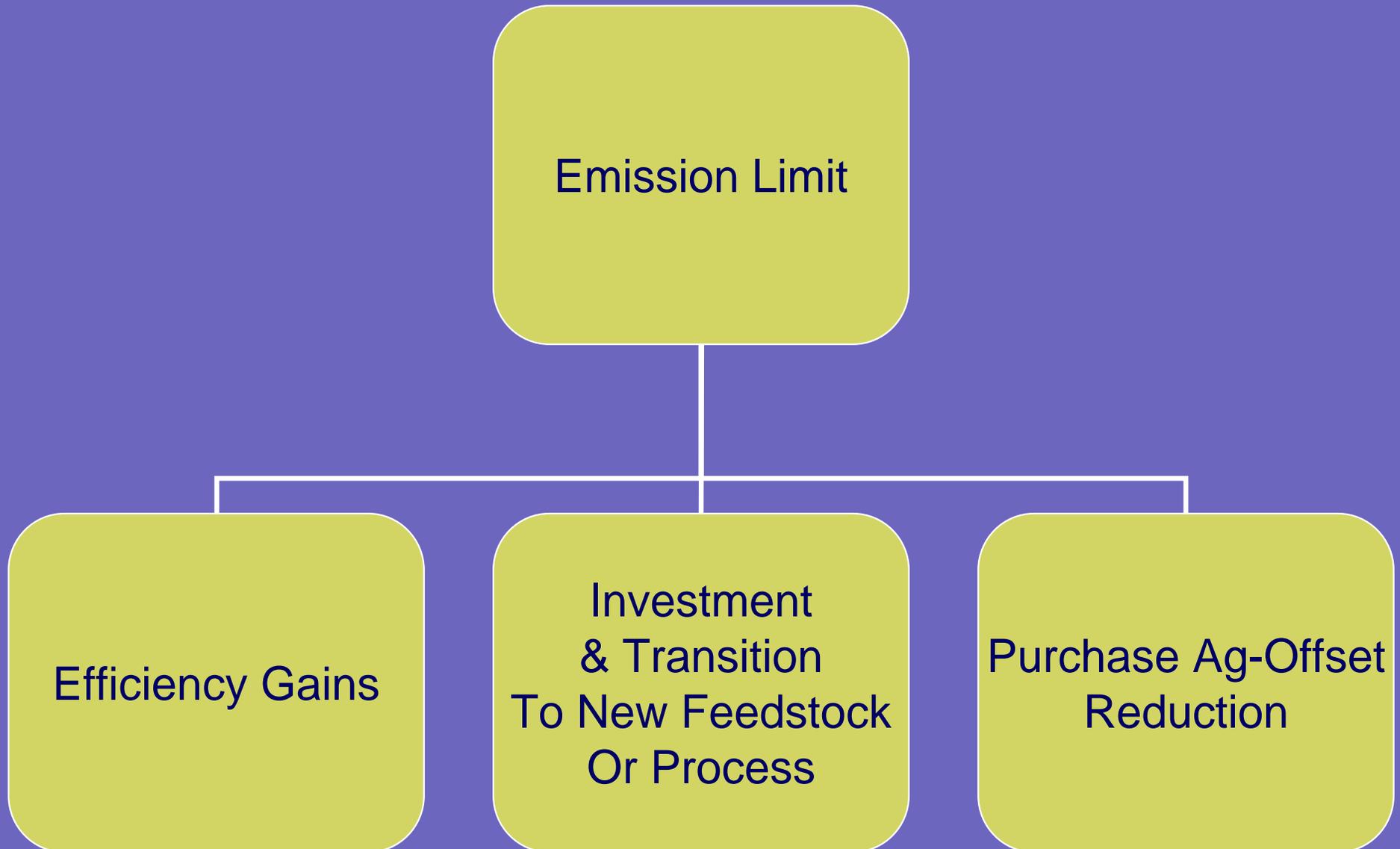
Sara Hessenflow Harper



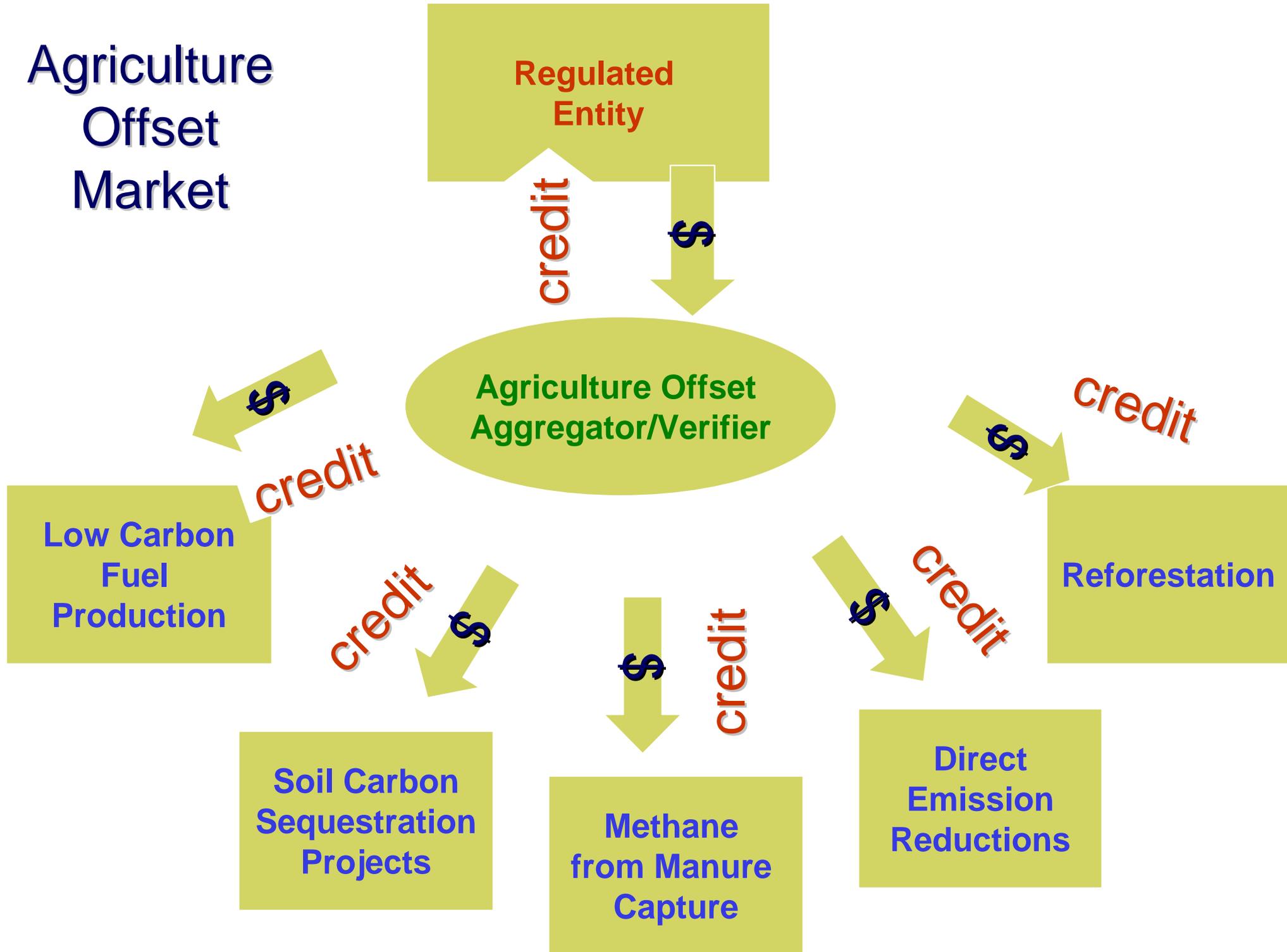
ENVIRONMENTAL DEFENSE

finding the ways that work™

# Potential Role for Agriculture in Climate Policy



# Agriculture Offset Market



Where is Agriculture?

# States Taking Action on Climate

Acres of Opportunity to Lose?

# California Passes Historic State Law to Combat Climate Change

“The success of our system will be an example for other states and nations to follow as the fight against climate change continues.

-- Gov. Arnold

**Schwarzenegger**

California's state law provides no exemptions against regulation for agriculture

Methane from California's dairy and rice industries could come under regulation



## Regional Greenhouse Gas Initiative

An Initiative of the Northeast & Mid-Atlantic States of the U.S.

- The initial phase of the cap-and-trade program will entail the allocation and trading of carbon dioxide allowances to and by sources in the power sector only.
- In a subsequent phase of the program, states and stakeholders will work together to develop reliable protocols for offsets (i.e., creditable reductions outside the power sector) that may be used to achieve compliance with the cap.

Where is Agriculture?

# Companies Taking Action on Climate

Acres of Opportunity to Lose?

January 22, 2007

# US-CAP

**LEADING COMPANIES AND ENVIRONMENTAL GROUPS  
CALL FOR BOLD ACTION ON GLOBAL WARMING.**

**Alcoa**

**BP America**

**Caterpillar**

**Duke Energy**

**DuPont**

**Florida Power & Light**

**General Electric**

**Lehman Brothers**

**PG&E Corporation**

**PNM**

**Environmental**

**Defense**

**Natural Resources Defense**

**Council**

**Pew Center on Global**

**Climate Change**

**World Resources Institute**

# Wal-Mart takes steps to go green

February 24, 2006

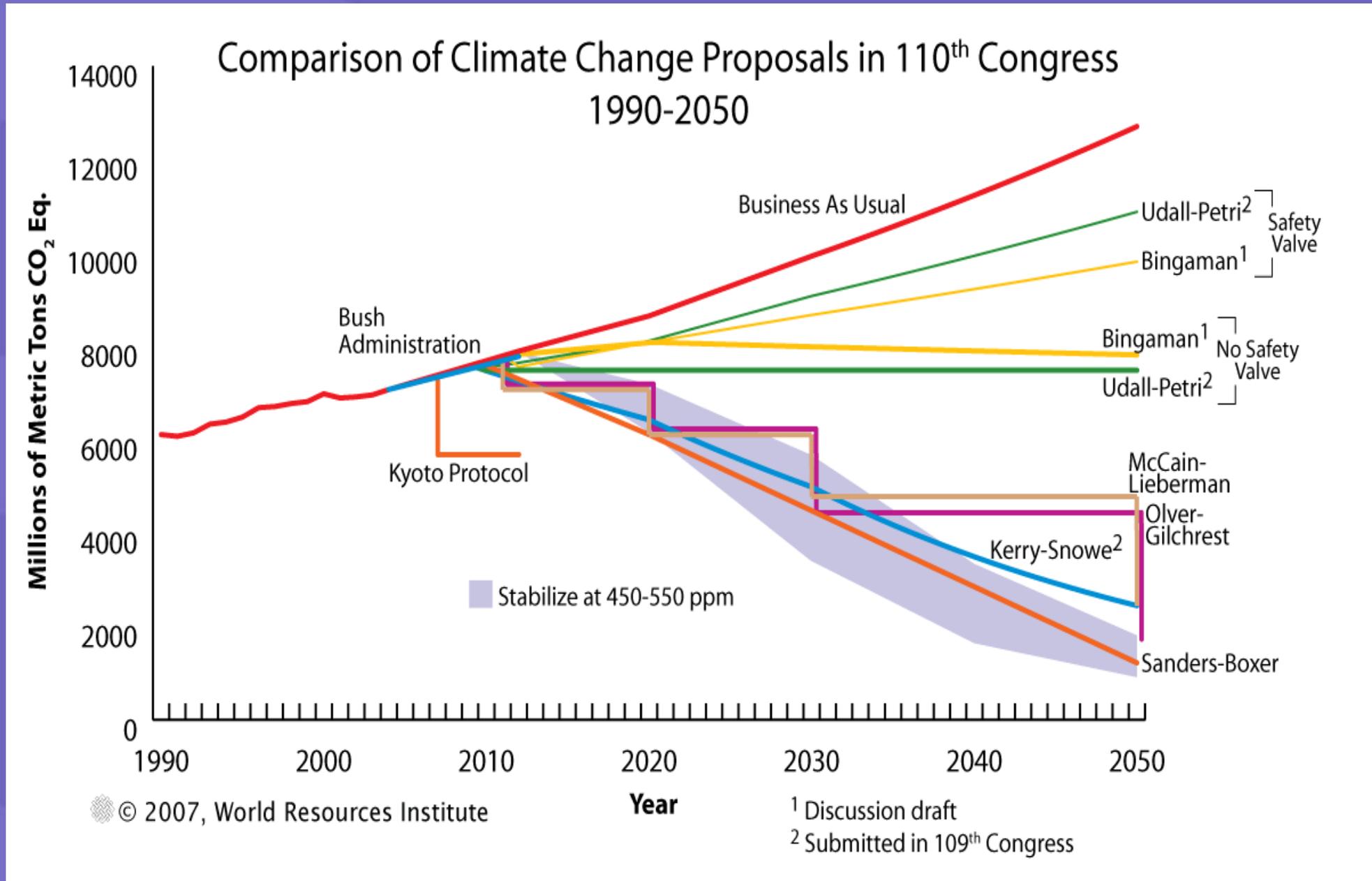
“In the next four years, the global company has proposed to reduce its **greenhouse gas emissions by 30 percent.....**”

# Where is Agriculture?

## Federal Policy



Acres of Opportunity to Lose?



# Carper-Alexander

(utility only – version from last Congress)

## Sec 705 (f)

- Unlimited CO<sub>2</sub> Offset allowances, US or International
- Consider programs by states. (RGGI)

# Sen. Feinstein

(utility only)

- 731 Outreach on revenue Enhancement to Ag Producers
- 732 Offset Measurements for Ag, Forestry, Wetland
- 734 Offset Credits for Forest, Grazing, Wetland
- 735 Offset from Avoided Conversion of Forest and Wetland
- 736 Offset for GHG Emission Reduction Projects
  - - includes eligibility for uncapped sectors (even beyond agriculture)
- 737 Borrowing against Future Offsets
- 738 Reviewing of Accounting for Offset Credits

# Lieberman-McCain

(economy-wide)

## Sec. 144

- Alternative Measures of Compliance – offsets limited to 30% of total allowances required to cover emissions in any given reporting period.
- If more than 15% of allowances are covered by an alternative measure of compliance, then 1.5% of total must be agricultural soil sequestration, and a report every five years after must be submitted to ensure maintenance of sequestered carbon. Traditional allowances must be relinquished to account for losses

# Sanders-Boxer

(economy-wide)

## Sec. 716

- Sets out standards for biological sequestration to be enacted 2 years after adoption of the legislation

# Sen. Bingaman

(economy wide)

## Sec. 1619

- Offsets to be awarded 5% of total allocations for:
  - sequestration (except enhanced oil recovery)
  - landfill methane, animal waste or wastewater methane
  - SF6 reduction projects
  - destruction of hydrofluorocarbons

# What's at Stake?

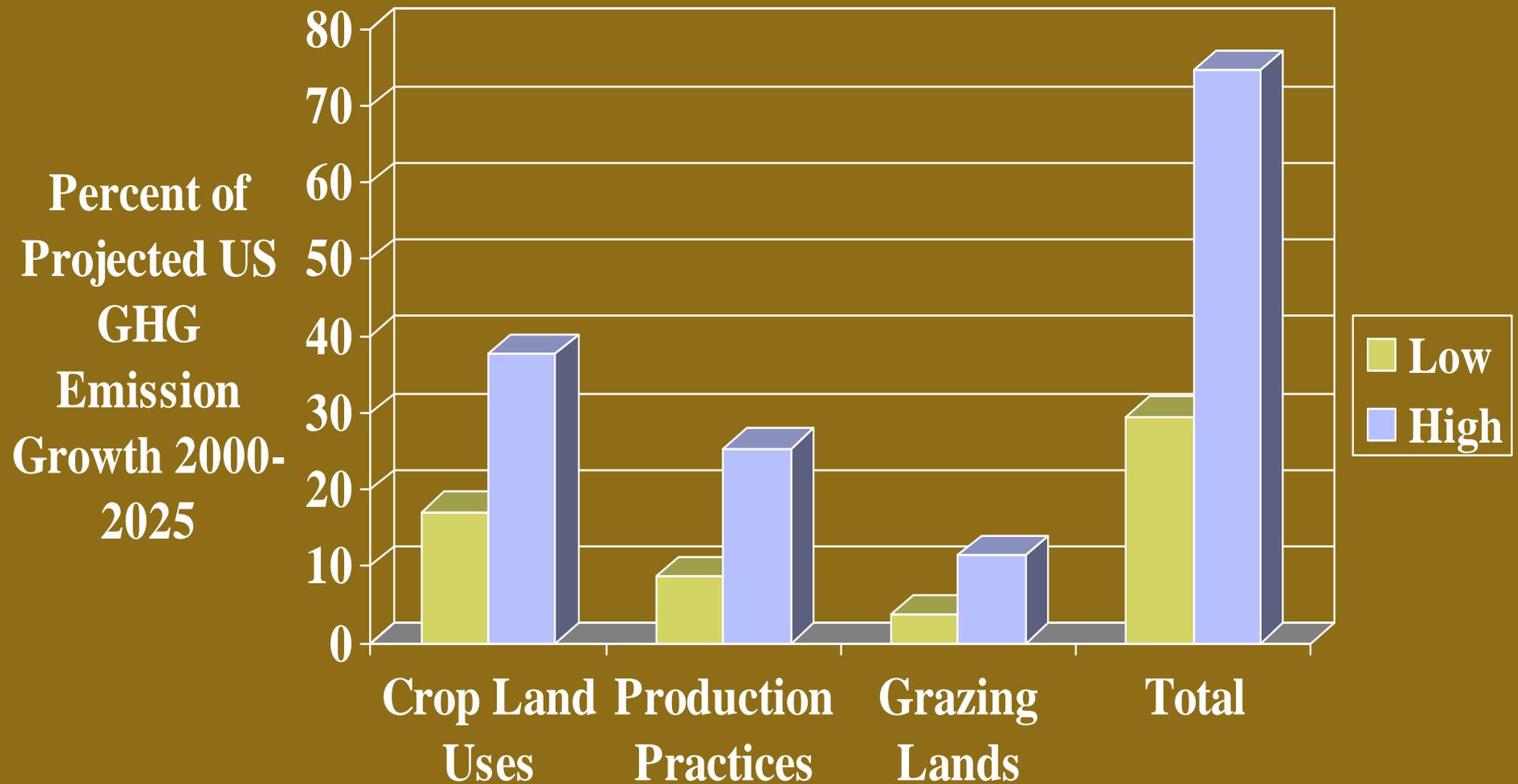
Acres of Opportunity to Lose?

# A New Conservation Market

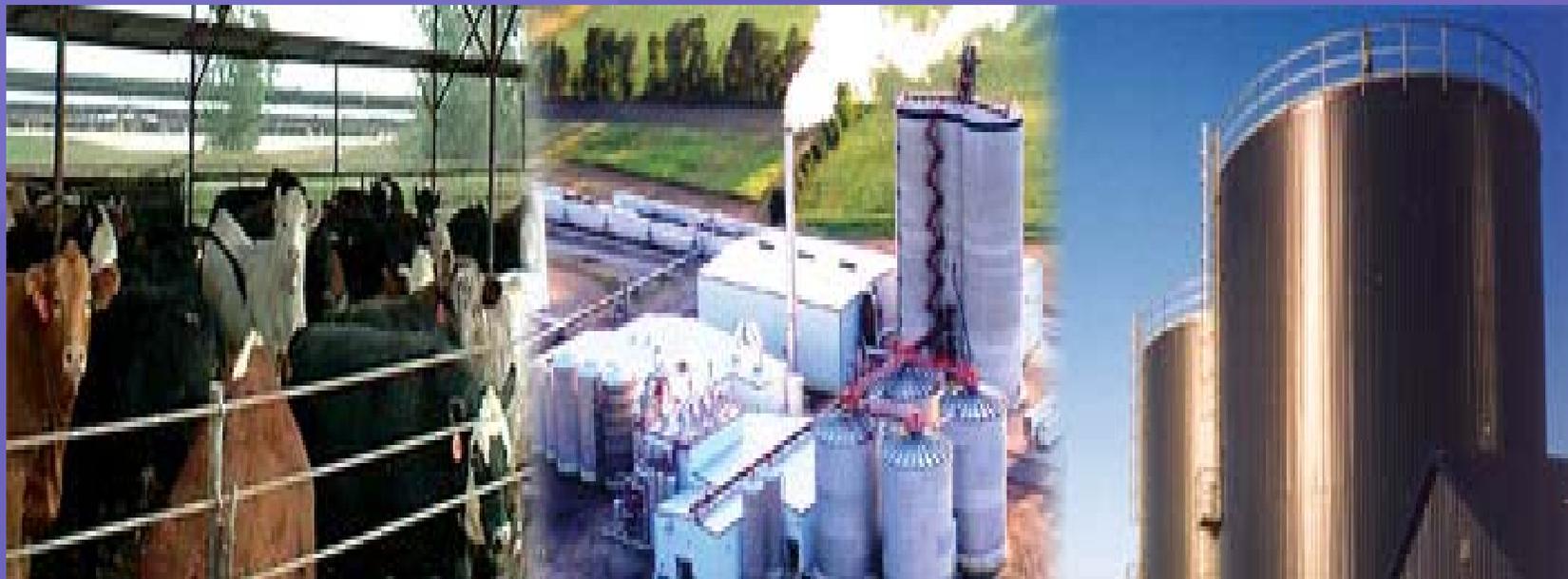


Acres of Opportunity to Lose?

# Potential Annual Carbon Sequestration in US Agriculture



# Waste-to-Wealth



Acres of Opportunity to Lose?

# ENVIRONMENTAL DEFENSE



**Making the Meter Run Backwards!**

Acres of Opportunity to Lose?

# Value Added Biofuels

Increased Efficiency = Lower GHG Emissions



Acres of Opportunity to Lose?

# Outsourcing Ag-Carbon Market

Acres of Opportunity to Lose?

June 20, 2006

“ . . . the new outlet for the surplus  
sugar would be a boon for UK  
agriculture.”

# European CO2e Prices – Close 12/06

€/ton CO2

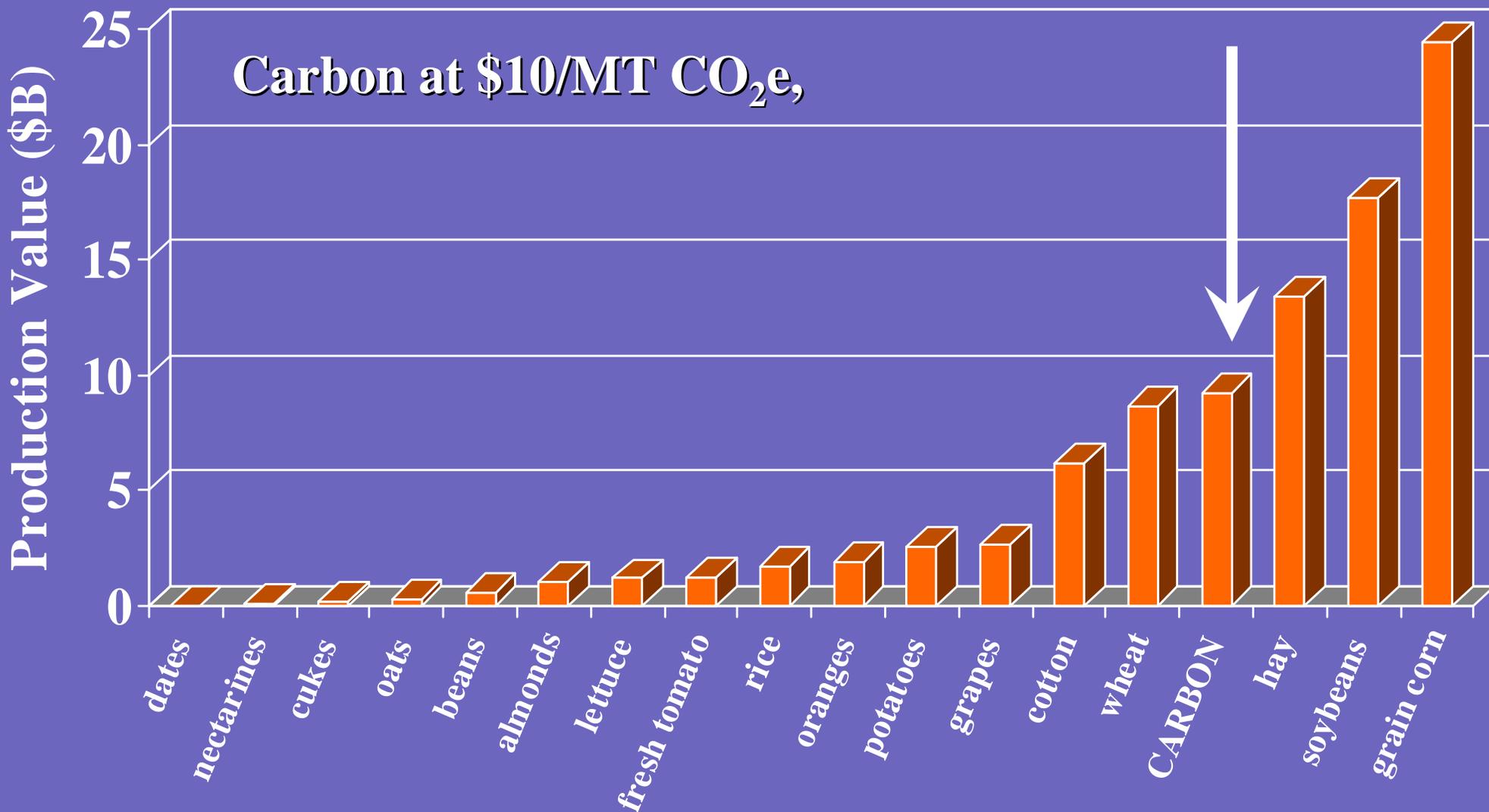


Acres of Opportunity to Lose?

# Missed Investment Opportunities

Acres of Opportunity to Lose?

***Illustrative Ranking of Carbon as a Crop in U.S.  
Per Proposed GHG Limits in  
Senate Bill 280 (Lieberman-McCain) 1/12/07***



**[Crop Source: USDA - National Agricultural Statistics Service – US Crop Rankings -1997 Production Year Ranking Based on Value of Production]**



**Issue number 34 • November 2006**

## **Morgan Stanley in \$3 billion carbon push**

*Posted Nov 23 2006*

**US investment bank Morgan Stanley is to spend \$3 billion buying carbon credits and investing in emissions reduction projects over the next five years, it announced in late October.**

# Missed Opportunity to Solve Multiple Problems

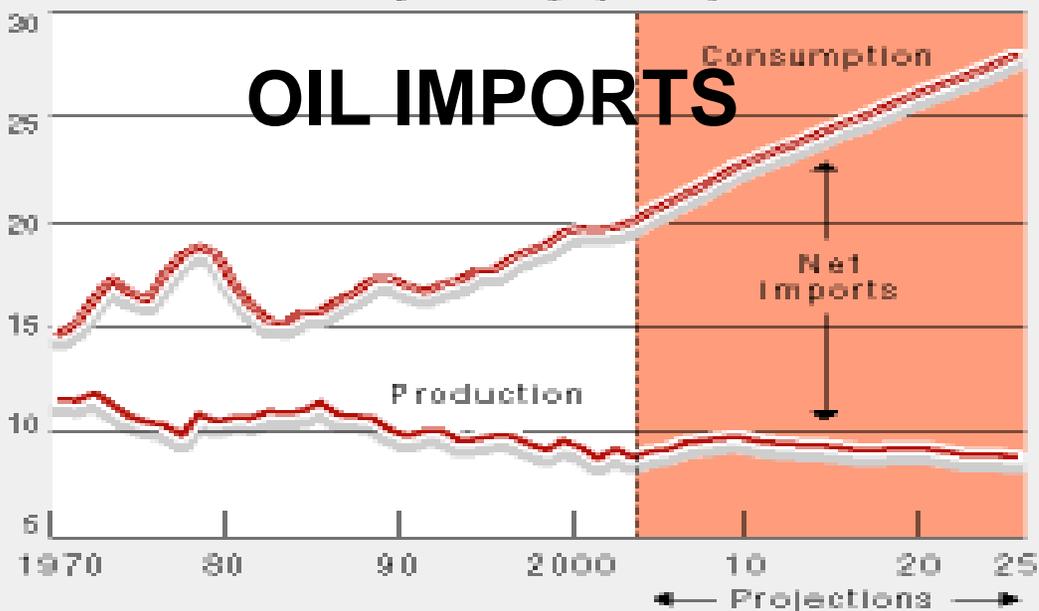
Acres of Opportunity to Lose?

# ENVIRONMENTAL DEFENSE

## US oil import dependency

Million barrels per day (mbd)

### OIL IMPORTS



WTO-OMC

TRADE  
ROUND



Acres of Opportunity to Lose?

If you are  
not at the  
**Table**



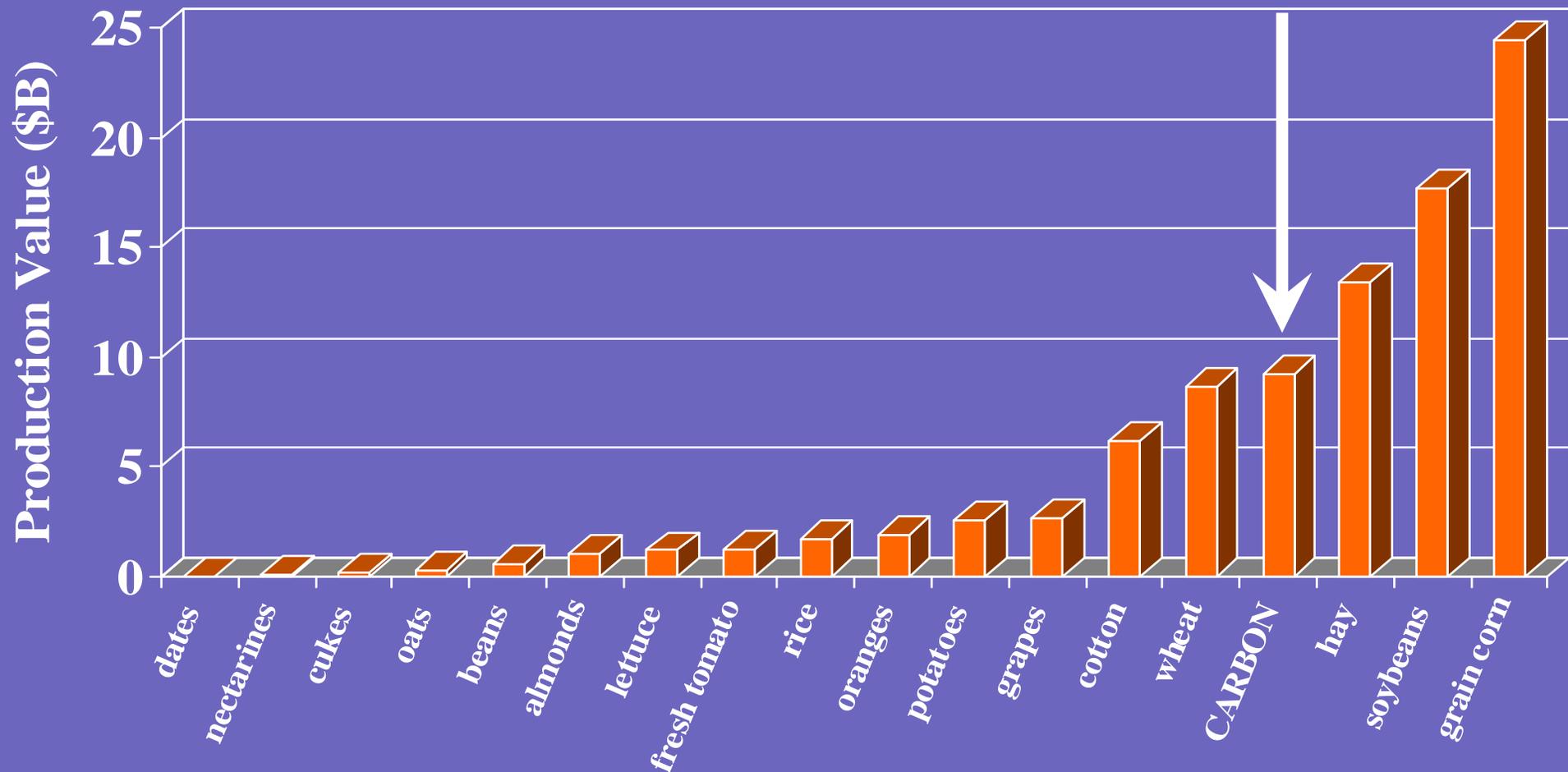
You ARE on  
the **Menu!**



Acres of Opportunity to Lose?

# *Illustrative Ranking of Carbon as a Crop in U.S. Per Proposed GHG Limits in Senate Bill 280 (Lieberman-McCain) 1/12/07*

**Carbon at \$10/MT CO<sub>2</sub>e,**



[Crop Source: USDA - National Agricultural Statistics Service – US Crop Rankings -1997 Production Year Ranking Based on Value of Production]