



# FARM & RANCH OFFSETS

AN EMAIL NEWSLETTER OF THE FARMERS UNION CARBON CREDIT PROGRAM

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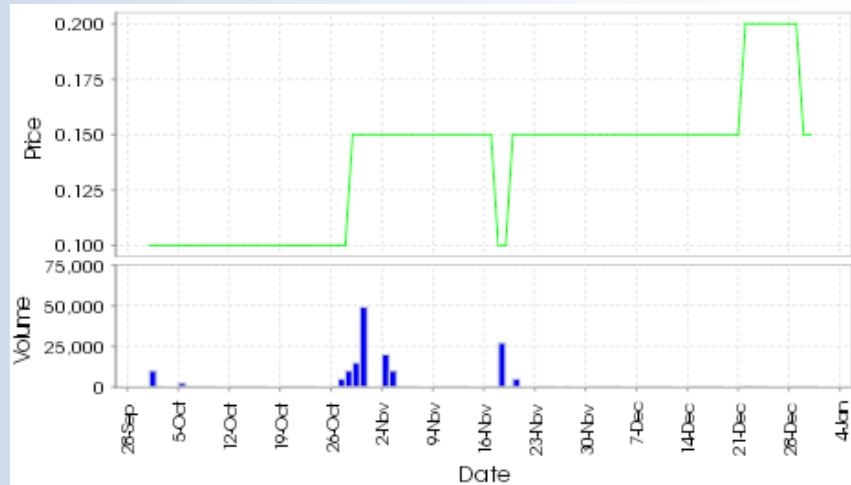
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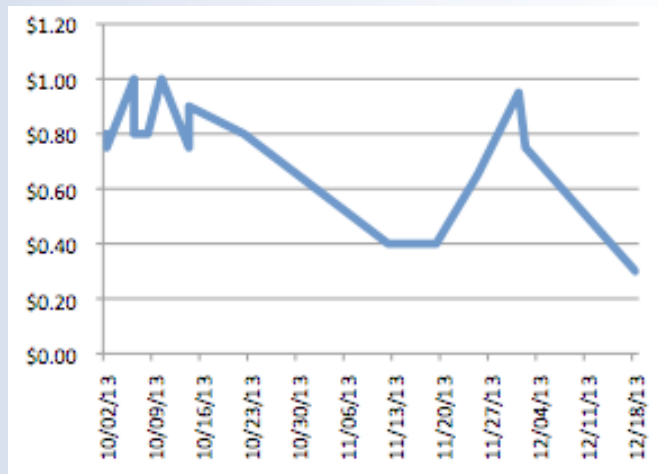
## CCX MARKET SNAPSHOT

CCX CASH TREND FOURTH QUARTER 2009



## CCX Privately Negotiated Transactions

(BILATERAL TRADE PRICE TREND-DOMESTIC OFFSETS) FOURTH QUARTER 2009



The above data is provided for your information only. Your actual contract proceeds will be based on an average pool selling price over an extended marketing period. Complete CCX Market data available at [www.chicagoclimatex.com](http://www.chicagoclimatex.com).



## MARKETING PARTNER: CANTOR CO2E

In the summer of 2009, the administrators of the National Farmers Union Carbon Credit Program began looking for a marketing partner, and in November settled on CantorCO2e. CantorCO2e is a top tier emissions brokerage firm. The firm has been active in the U.S. emissions markets since 1992, longer than any other firm.

Jonathan Stack, senior broker with CantorCO2e's U.S. carbon and renewable energy credit trading business, has been designated by the NFU team as its Carbon Market Liaison. Stack will work with NFU to aggressively gain market exposure and value for the carbon offset credits that NFU registers with the Chicago Climate Exchange (CCX).

Unlike many other firms participating in the carbon markets, CantorCO2e is a neutral intermediary. CantorCO2e does not buy carbon credits with the intention of selling them at a higher price at a later date. Its core business is to match carbon credit sellers with carbon credit buyers, and ensure the transaction is optimal to both parties. CantorCO2e has staff members around the world engaged in brokering carbon credit transactions and a list of hundreds of clients. The firm's experience and depth allow it to market NFU carbon credits to a wide array of carbon credit buyers, including financial institutions, manufacturers, power producers, voluntary corporate buyers, airlines, car manufacturers, and Silicon Valley giants.

NFU asked Jon Stack to comment on the state of U.S. carbon trading and what he thinks might happen in the near future for participants in the NFU Carbon Credit Program. Here is his response:

"CantorCO2e has been involved in the U.S. carbon market since its inception. Over the last couple of years we have seen the US Congress come close to passing climate and energy legislation that includes a cap-and-trade component. Last spring the House delivered. While the Senate stumbled this past fall there is a body of opinion that consensus legislation will emerge this summer. While we can't reliably assess when the President will sign the bill, we are confident that any legislation that makes it his desk will feature a cap-and-trade program that includes the use of farm-based carbon sequestration offsets created through sustainably managed rangeland, continuous conservation tillage, and grassland conversion before this summer.

"Thinking about folks enrolled in the NFU Carbon Credit Program, there are a few scenarios that merit consideration:

"SCENARIO ONE: The Senate passes a bill that includes cap-and-trade program and gives early action credits to those enrolled in voluntary programs like the NFU Carbon Credit Program. We may see early action offsets being credited at approximately \$3.49/tonne for the 2003-08 vintage.

"SCENARIO TWO: The Senate passes a bill that includes cap-and-trade program but does not give credit to early action offset projects from the CCX. In this situation, NFU members may elect to sell existing credits on the CCX and/or try to get them recognized under an "approved" program. In the latter case, it is possible that fewer more valuable (on a \$/tonne basis) credits may emerge from the black box and be available for sale on the market.

"SCENARIO THREE: The Senate does not pass a bill, NFU members continue to create credits for the CCX, and rely on the market price of the CCX (currently \$0.15/tonne on the exchange and \$0.30/tonne over the counter).

"Of course, no one has a (reliable) crystal ball, and the news can change daily with regards to the likelihood of a federal bill passing. While the above scenarios are plausible there are others that could play out in 2010 (and later) that will affect the value of current and prospective NFU carbon credits."

We at the National Farmers Union would like to once again reaffirm our commitment to bringing value to sustainable agricultural projects through the sale of carbon offsets. We are excited to partner with CantorCO2e in these efforts and we appreciate our contract holders' ongoing efforts and continued commitment to the Carbon Credit Program.

National Farmers Union asked Nathan Clark, Senior Vice President and Managing Director of Offsets at Chicago Climate Exchange, to comment on recent legislative milestones and what may happen in 2010.



## **2010 OUTLOOK ON GHG REGULATION** BY NATHAN CLARK, CHICAGO CLIMATE EXCHANGE

Although 2009 provided several milestones on the path toward a federal framework for restrictions on greenhouse gas (GHG) emissions, many in the carbon community are looking to 2010 to provide clarity on the reach and structure of the framework. Senate and House leadership have stated that cap-and-trade, along with financial regulatory reform and job creation, will be their areas of focus for this legislative session and Senate Majority Leader Harry Reid (D-NV) has indicated his desire to move forward with a Senate-backed cap-and-trade proposal in the spring.

Below, I have provided a brief summary of the U.S. House-passed bill, as well as the legislative drafts being debated in the Senate.

### **Waxman-Markey and Kerry-Boxer**

The U.S. House of Representatives passed H.R. 2454, the American Clean Energy and Security Act of 2009, by a vote of 219-212 on June 26. The legislation, co-sponsored by Reps. Henry Waxman (D-CA) and Ed Markey (D-MA), establishes a national greenhouse gas reduction and trading system beginning in 2012. It also tightens efficiency standards for energy-consuming devices and implements a national renewable energy standard using a national renewable energy credit system.

In the Senate, progress continues on multiple fronts. On Nov. 5, the Senate Environment and Public Works Committee approved S. 1733, The Clean Energy Jobs and American Power Act, sponsored by Sens. John Kerry (D-MA) and Barbara Boxer (D-CA), by a vote of 11-1.

S. 1733 largely mirrors the House bill, with slightly lower emission caps for 2020, bigger allowance auctions (leaving fewer allowances for emitters) and a considerably larger allowance set-aside for recognizing early emission cuts by industrial entities.

### **Early Action Recognition**

Both House and Senate bills include language recognizing project-based offset credits for early action in approved state, tribal and other voluntary programs, provided the administrator of the Environmental Protection Agency determines that such a program meets various specified conditions. Both bills also provide for issuance of federal allowances for recognizing industrial greenhouse gas emission reductions that occurred prior to 2012, with the Senate bill establishing a pool of allowances for early industrial cuts that is substantially larger than the House provision.

### **Stabenow Offsets Proposal**

Sen. Debbie Stabenow (D-MI) introduced S. 2729, the Clean Energy Partnerships Act of 2009, with co-sponsors including Finance Chairman Sen. Max Baucus (D-MT) and Sens. Amy Klobuchar (D-MN), Sherrod Brown (D-OH), Tom Harkin (D-IA) and Mark Begich (D-Alaska). The bill provides the most detailed provisions to date for defining domestic offset projects.

The bill specifies a broad range of project types that will qualify to earn federal offsets, including numerous provisions for crediting mitigation activities involving cropland, forest and fertilizer management, methane and natural gas systems, and others. The Stabenow proposal directs federal officials to give due consideration to existing methodologies when forming detailed project rules. Importantly, it would provide for issuance of one federal offset credit for each metric ton of emissions mitigation occurring 2001 or later by projects registered in qualified early offset programs.

### **Bi-partisan Working Group: Kerry-Lieberman-Graham**

Sen. Kerry joined with Sens. Lindsey Graham (R-SC) and Joe Lieberman (I-CT) on Nov. 4 in a press conference to announce a separate track of negotiations on climate policy. Their statements indicate their intent to add significant provisions to stimulate nuclear-powered domestic oil and gas production to a Senate climate bill.

## Current Pool Status

- › In December we collected all 2009 verification reports as well as 2009 contract recertifications and submitted our new credit registration to the CCX. This new group includes over 3.4 million contracted credits for the following pools and vintages:
  - NDFUNTG1: 2003, 2004, 2009
  - NFUNTG1: 2003, 2004, 2009
  - NFUNTG2: 2003, 2004, 2005, 2009
  - NFUNTG3: 2003, 2004, 2005, 2006, 2009
  - NFUNTG4: 2003, 2004, 2005, 2006, 2009
  - NFUNTG5: 2008, 2009
  - NFUSG5: 2003-2009
  - NFUNTG6: 2008, 2009
  - NFUSG6: 2003-2009
  - NFUR1: 2009
  - NFUR2: 2009
  - NFUR3: 2003-2009
  - NFUR4: 2008, 2009
- › On December 28, 2009 we wrote checks for 2008 credit sales in 2009. All contracts pooled before fall of 2008 should have received a payment, provided the contract was in good standing with the Carbon Credit Program.
- › The CCX released new standardized offset project protocols, which became effective on January 1, 2010. We are in the process of updating our contracts and our website to reflect these changes, so certain parts of our website, including new enrollments, are temporarily shut down. We expect to be fully up and running again in a few weeks.

