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Carbon, carbon everywhere: Storing for dollars

By Curtis Seltzer

BLUE GRASS, Va.—It's always fun to watch clever people make a profit out of mess.

Take global warming. Today's consensus opinion -- whether you believe it or not, and whether it's true or not -- is that using hydrocarbon fuels and other human activity release gases, among them carbon dioxide (CO₂), that trap heat in the atmosphere. This raises the earth's temperature and threatens everything from polar bears to popsicles.

Both Presidential candidates say they're worried and want to do something. Reducing man-made CO₂ appears to be the main way to slow warming. But the federal government has yet to regulate carbon-dioxide emissions from fossil fuels -- oil, coal and natural gas -- that are important sources.

So what should we do about man-made carbon dioxide?

We could tax it. If the tax were high enough, it would force the economy away from activities that produce CO₂. Put on a dreadfully high tax, and we would force ourselves to use less fossil fuel fast. The economic pain, however, would be intense; and everyone would feel it. A slowly phased-in tax increase might get part of the way there slowly with less pain, but maybe not fast enough.

We could pass a law backing down emissions. This approach would require our industries, electric utilities and vehicles to produce less CO₂ or face fines and shutdowns. Mandatory reduction would force CO₂ emitters to switch to different fuels and technologies. Command systems work, but those who get regulated don't like them, and the reduction approaches chosen may not be efficient or wise.

Now here is where the clever guy -- Richard L. Sandor -- comes in.

He started the Chicago Climate Exchange (CCX) five years ago, which is a non-governmental, voluntary commodity market where greenhouse gases are traded. (CO₂ is one of six such gases traded at www.chicagoclimatex.com).

Farmers and landowners whose activities store carbon in plants, trees and dirt can sell storage credits to anyone, including folks who produce CO₂ and want to offset that production.

Let's say I have 100 acres of woods whose trees lock up two tons of CO₂ per

acre annually. I sell 200 credits (representing 200 tons of sequestered CO₂) through the CCX to a buyer who pays the market price that day, currently about \$2.50 per metric ton. That's a gross payment of \$500.

Credit buyers are companies with overseas subsidiaries who are required to reduce emissions under the Kyoto protocol, along with some who anticipate federal legislation requiring reductions. Speculators buy credits, hoping to profit from a rise in price.

The CCX requires credit-buying polluters to agree to meet annual emission-reduction goals.

Certain land uses and practices can qualify for carbon-storing credits. Payment rates vary according to the particular practice and the market's credit price. Representative annual CO₂-storage rates are:

0.5 tons per acre, +/-, for no-till row crops
0.75 tons per acre, +/-, for grass and forage (pasture/hayfield)
0.30 tons per acre, +/-, for native rangeland
1 to 4 tons per acre, forestland

Each credit seller agrees to follow storage-centered, land-use practices, for up to 15 years in the case of forest management.

Even small parcels can be enrolled. A landowner must go through an aggregator whose job is to assemble credits, oversee compliance, paper the work and act as liaison between seller and CCX.

Each aggregator charges a service fee to the credit seller, usually about ten percent. One aggregator I noticed also charges an additional transaction fee of up to eight percent. Non-profit aggregators, such as the [North Dakota Farmers Union](#), may be a good first stop for sellers.

Aggregators have simple [enrollment protocols](#) that explain the complex CCX rules.

Forest owners are eligible if they've planted or regenerated trees after 1990. Forests managed sustainably -- where harvesting can happen with proportional CO₂-storage discounts -- may also qualify.

None of this money is free, or free of hassle. Sellers of credits must comply with the CCX rules for managing their land and its carbon-storing resources. Some of those practices can reduce the money a landowner would typically earn from his fields or forests. A lot of this entry process feels like filling out an itemized 1040, which is always the highlight of every Spring.

Is the money worth the effort? It will depend on your land, how it's been used, the costs of managing it under the CCX rules and the price of the credits when you sell them. Larger tracts are likely to net more on a per-acre basis, because the costs of the required rigmarole are spread over a wider base.

If Washington passes a cap-and-trade program for CO2 reduction, credits will be in demand. Their price will rise. Clever people will profit.

Farmers and landowners need to understand every in and every out of the CCX rules before trying to pencil through the dollars and cents. Get an aggregator to walk you through the program, slowly. Remember that word wrinkles in contracts are permanent; they don't smooth out over time.

Compare aggregator fees. Don't sign a contract that ties you to a fixed credit price for the length of your contract. Understand the payment formula. Don't enroll with an aggregator who comes across like a salesman for Really Honest Eddie's Pre-Wrecked Cars.

Will the CCX voluntary program actually do much to lower greenhouse emissions, particularly CO2? Probably not. On the other hand, every little bit helps a little bit.

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