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AG OUTLOOK FORUM 2009

CLIMATE CHANGE OPPORTUNITIES AND OBSTACLES

RICHARD KRAUSE
AMERICAN FARM BUREAU FEDERATION

POTENTIAL FOR AGRICULTURE

- ACCORDING TO EPA 2007 INVENTORY
 - AGRICULTURE EMITS ABOUT 7% OF TOTAL U.S. GHG
 - POTENTIAL FOR AG AND FORESTRY TO SEQUESTER 15-20% OF U.S. TOTAL

OPPORTUNITIES

- AGRICULTURAL OFFSETS
 - REDUCE COMPLIANCE COSTS TO INDUSTRY AND CONSUMERS
 - CARBON REDUCTIONS THAT WOULD NOT HAVE OTHERWISE OCCURRED
 - ENVIRONMENTAL CO-BENEFITS

OPPORTUNITIES

- POTENTIAL OFFSET CREDITS--LIVESTOCK
 - METHANE DIGESTERS
 - MANURE LAGOON COVERS
 - MANURE MANAGEMENT IMPROVEMENT
 - LIVESTOCK DIETARY IMPROVEMENTS



OPPORTUNITIES

- POTENTIAL OFFSET CREDITS--CROPS
 - LOW TILL OR NO TILL PRACTICES
 - FERTILIZER MANAGEMENT
 - MANURE MANAGEMENT
 - HIGH RESIDUE CROPS
 - GRASSLANDS AND TREES
 - RANGELAND MANAGEMENT

CONCERNS

- COSTS GREATER THAN OFFSET BENEFITS?
 - INCREASED FUEL, FERTILIZER AND ENERGY COSTS
 - WILL OFFSETS BENEFITS COVER INCREASED COSTS?
 - BASED ON UNCERTAIN COMPUTER MODELS
 - UNEQUAL OFFSET OPPORTUNITIES

CONCERNS

- POTENTIAL REGULATION OF AGRICULTURE
 - LARGER LIVESTOCK OPERATIONS
 - REGULATION OF AG PRACTICES
 - ADDITIONAL CLEAN AIR ACT REGULATION

OBSTACLES

- SEQUESTRATION OFFSET UNCERTAINTY
- ADDITIONALITY
 - BUSINESS AS USUAL”
 - MAY DENY EARLY ADOPTERS
 - “CREATES PERVERSE INCENTIVE
 - NEW REDUCTIONS, NOT NEW PRACTICES

OBSTACLES

- PERMANENCE
 - MEASUREMENT AND VERIFICATION
 - CONTRACTS OF LIMITED DURATION
 - POSSIBILITY OF REVERSAL
 - FOCUS ON DURATION

NEED ADMINISTRATION OF AG OFFSETS BY USDA

OBSTACLES

- COMPETITIVE TRADE DISADVANTAGE
 - WTO COMPLIANCE NECESSARY
 - GATT, ARTICLE III
 - GATT, ARTICLE XX EXCEPTIONS
 - NECESSARY TO PROTECT HUMAN HEALTH
 - CONSERVE EXHAUSTABLE RESOURCES
 - NOT UNJUSTIFIABLE DISCRIMINATION
 - NOT DISGUISED RESTRICTION ON TRADE

OBSTACLES

POTENTIAL TRADE EQUALIZATION REMEDIES

- INTERNATIONAL RESERVE ALLOWANCE
- MODERNIZATION ASSISTANCE
- TRANSITION ASSISTANCE

OUTLOOK

- MAY DEPEND ON STATE OF THE ECONOMY
- HOUSE
 - ENERGY AND COMMERCE—REPORT BY MEMORIAL DAY
 - FULL HOUSE BY DECEMBER
- SENATE
 - THROUGH ENVIRONMENT AND PUBLIC WORKS COMMITTEE IN IN 2009
 - NO SUBSTANTIVE BILL YET

REGULATORY ACTION

POTENTIAL FOR AGRICULTURE

"FARMERS AND RANCHERS IN THE U.S. AND
AROUND THE WORLD NEED TO KNOW THAT
THEY CAN BE PART OF THE SOLUTION."

----AL GORE

JANUARY 28, 2009