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Next Steps Toward Storing Carbon in Nebraska

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Cornhusker Economics

Cooperative Extension

Institute of Agriculture & Natural Resources
Department of Agricultural Economics
University of Nebraska – Lincoln

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Market Report	Yr Ago	4 Wks Ago	1/4/02
<u>Livestock and Products,</u>			
<u>Average Prices for Week Ending</u>			
Slaughter Steers, Ch. 204, 1100-1300 lb Omaha, cwt	\$77.37	\$65.68	\$65.63
Feeder Steers, Med. Frame, 600-650 lb Dodge City, KS, cwt	95.00	89.12	88.25
Feeder Steers, Med. Frame 600-650 lb, Nebraska Auction Wght. Avg	100.53	92.01	91.95
Carcass Price, Ch. 1-3, 550-700 lb Cent. US, Equiv. Index Value, cwt	121.46	105.03	102.33
Hogs, US 1-2, 220-230 lb Sioux Falls, SD, cwt	37.75	33.50	38.00
Feeder Pigs, US 1-2, 40-45 lb Sioux Falls, SD, hd	37.00	41.00	46.87
Vacuum Packed Pork Loins, Wholesale, 13-19 lb, 1/4" Trim, Cent. US, cwt	*	95.10	106.63
Slaughter Lambs, Ch. & Pr., 115-125 lb Sioux Falls, SD, cwt	70.25	55.00	60.87
Carcass Lambs, Ch. & Pr., 1-4, 55-65 lb FOB Midwest, cwt	152.00	125.88	130.31
<u>Crops,</u>			
<u>Cash Truck Prices for Date Shown</u>			
Wheat, No. 1, H.W. Omaha, bu	3.37	3.05	3.09
Corn, No. 2, Yellow Omaha, bu	2.02	1.95	1.89
Soybeans, No. 1, Yellow Omaha, bu	4.69	4.27	4.08
Grain Sorghum, No. 2, Yellow Kansas City, cwt	3.77	3.66	3.54
Oats, No. 2, Heavy Minneapolis, MN, bu	1.21	2.23	2.38
<u>Hay,</u>			
<u>First Day of Week Pile Prices</u>			
Alfalfa, Sm. Square, RFV 150 or better Platte Valley, ton	115.00	115.00	115.00
Alfalfa, Lg. Round, Good Northeast Nebraska, ton	67.50	77.50	75.00
Prairie, Sm. Square, Good Northeast Nebraska, ton	100.00	105.00	105.00
* No market.			

The Nebraska Carbon Sequestration Advisory Committee (2001) recently identified a number of options that Nebraskans might consider. In no particular order of priority (from pp. 37 - 41 in the Report), the Committee highlighted:

Options designed to provide additional information:

1. Provide additional funding for basic carbon sequestration related research relevant to Nebraska.
2. Develop a state greenhouse gas inventory.
3. Complete a carbon sequestration baseline survey for both soil and vegetation on all remaining land uses and update on a periodic basis.

Options designed to provide new organizational mechanisms:

1. Provide a permanent carbon sequestration committee or council to monitor ongoing developments.
2. Sponsor a carbon sequestration pilot/demonstration project. Consider including marketing, emissions reduction and biofuel elements.
3. Research and consider legislation that requires brokers or others seeking to negotiate carbon offset or option contracts to register with the state, and provide sample contracts with the Department of Agriculture or the Department of Natural Resources. The state could also enact legislation to provide a central clearing house of market information.
4. Grant some government entity the power to enter into contracts on behalf of landowners and/or the power to ensure enforcement of the obligations contained in carbon offset contracts or options.

Options designed to provide state incentives/programs for actions that result in additional carbon sequestration:

5. Potential actions include: a) increased incentives for no till and other conservation measures that sequester



(store) carbon; b) incentives for forestry and agro-forestry; c) tree planting programs for public lands; d) urban forestry campaign; e) buffer and tree planting programs for stream banks and public areas where eroded sediments occur; f) public rangeland conservation programs and requirements; and g) provide additional public information on carbon sequestration.

Options that provide state incentives for agricultural greenhouse gas emissions reduction activities:

1. Continue or expand state incentives for bio-fuels programs. Examine biomass options.
2. Initiate livestock waste/methane reclamation programs.

Other options:

3. No new action, that is, no further action is always one of the options.

Generally, the report leading to these options addresses the legal, policy and economic issues pertaining to carbon sequestration and emissions trading requested in Nebraska Legislative Bill 957, as passed during the 2000 session. The other report on the physical potential for storing carbon in Nebraska will be finished later this spring.

The Committee, after noting the substantive uncertainty about both international agreements and domestic policies on carbon, arrived at four recommendations (pp. viii-ix):

1. Maintain a Nebraska Carbon Sequestration Committee in order to help in responding to changing conditions.
2. Provide additional funding for basic research on the physical, administrative and economic aspects of carbon sequestration and storage.
3. Provide funding to support a carbon sequestration pilot project in Nebraska.
4. Develop a Nebraska greenhouse gas inventory.

How do these square with the most recent developments on the national and international scene? How proactive do Nebraskans and others in the agricultural regions of the U.S. have to be in order to be ready to participate in carbon storage activities?

The year 2002 marks the 10th anniversary of the signing of the first international agreement on climate, represented in the United Nations Framework Convention on Climate Change. The Kyoto Protocol on global warming was proposed a mere five years ago, in 1997. These times are very recent in the realm of time. We need to keep in mind that global climate change has been an on-going phenomenon, since the beginning of time. Perhaps even more importantly, it has been only two months since most in the international community, the U.S. excepted, reached an accord on carbon and the global warming problem generally. During the 7th Conference of the Parties meeting in

November, 2001, 171 countries agreed in principle to work toward reducing greenhouse gases by around 5% of 1990 levels by 2012. These countries are in the process of considering and signing the agreement. Perhaps most importantly to the matter of storage, credits will be recognized in forestry, grazing and croplands; and emissions trading in greenhouse gas (including carbon dioxide) markets will be encouraged (see "Whats New" at the Website <http://www.carbon.unl.edu>). Allowing credits is a big step forward that could ultimately lead to carbon stored in land being considered a commodity: Farmers and ranchers could sell storage just like they sell other commodities. We are at a considerable distance from this occurring on a broad scale, although some storage sales have been made, especially given that the U.S. is not a party to the November accord. We need to patiently and carefully watch the events surrounding the 8th Conference of the Parties meeting scheduled for October, 2002 (including the sessional meeting tentatively scheduled in Bonn, Germany, in June of 2002).

It seems the list of recommendations may be about right. It behooves Nebraskans to stay alert, monitor the situation and work to pro-actively anticipate what kinds of joint efforts between public and private interests will be most productive. It does appear that carbon (stored) will eventually be a commodity, and active markets will likely emerge for it.

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Nebraska Carbon Sequestration Advisory Committee.
Carbon Sequestration, Greenhouse Gas Emissions and Nebraska Agriculture - Background and Potential. Lincoln, NE: A Report of the Nebraska Department of Natural Resources, December 1, 2001, 68 pp. (available under "Understanding" on the carbon website: <http://www.carbon.unl.edu>).