

Senate Committees Approves Climate Change Bill Cap-And-Trade Program May Be Less Expensive To Agriculture Than Carbon Tax

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Recent Senate Committee approval and House passage of climate change legislation after 20 years of warnings and congressional inaction appears to indicate that congress may be finally serious about doing something to limit greenhouse gas emissions. The agricultural sector contends that a cap-and-trade program will increase financial risk to agriculture as input costs will increase. Recent studies, however, contend that a properly constructed cap-and-trade program could increase net returns for virtually all major crops, especially when compared to an Environmental Protection Agency (EPA) regulated program to control carbon emissions as prescribed under a 2007 Supreme Court ruling.

The Senate's Environment Committee approved "The Clean Energy Jobs and American Power Act" in early November 2009 and the Senate's Energy and Natural Resources Committee recently passed legislation which included a Renewable Energy Standard. The House passed a 1,500 page "American Clean Energy and Security Act of 2009" (H.R. 2454) on June 26, 2009.

There are strong indications that a comprehensive bill to cut greenhouse-gas emissions will not be voted on until, at least, next year. U.S. and world pressure to negotiate a clean-air treaty will exert further pressure on the U.S. Congress to enact climate change legislation. More than 10,000 delegates from nearly 200 countries, including the U.S., are expected to attend the 15th meeting of the Conference of Parties to the U.N. Framework Convention on Climate Change in Copenhagen,

Denmark during December 7-14, 2009. Legally binding treaties are not expected to be negotiated during this conference, but the pressure is on the U.S. to help negotiate and participate in a world clean-air treaty. According to media reports on Sunday, November 15, 2009, covering a countdown to Copenhagen, the President is quoted to have acknowledged that time had run out to secure a legally binding climate deal at the Copenhagen summit in December and to throw his support behind plans to delay a formal pact until next year at the earliest. Even with this delay, it appears that U.S. climate change legislation is in the forefront.

The whole nation appears to be expressing skepticism over the costs to implement massive climate change legislation. Most, however, agree that something must be done to manage the global warming trend. In terms of agriculture, recent studies and some congressmen contend that a climate change bill, as the version passed by the House in June '09, could disproportionately raise energy prices for residents, businesses, and especially the agricultural sector.

The Agricultural and Food Policy Center (AFPC) at Texas A&M University conducted an analysis of the economic impacts of “The American Clean Energy and Security Act of 2009” (H.R. 2454) on 98 representative farms across the nation. The study focused on H.R. 2454’s anticipated direct and indirect cost increases experienced by agricultural producers, expected commodity price changes and the estimated benefits to agricultural producers from selling carbon credits. The study used a carbon credit range of \$8.97/ton (2010) to \$13.37 (2016) to estimate the impact. The 48 page report concluded that 71 out of 98 farms would have lower ending cash reserves under the House climate bill relative to a baseline set for net income (Table 11, page 25). The report can be found at: <http://www.afpc.tamu.edu/>

A study titled: Analysis of the Implications of Climate Change and Energy Legislation to the Agricultural Sector, released in early November 2009 by the Agricultural Policy Analysis Center,

Department of Agricultural Economics, Institute of Agriculture, the University of Tennessee, contends that agricultural producers would be better off with a climate change program which creates opportunities to create income, such as the sale of carbon offsets, rather than allow the EPA to regulate greenhouse-gas emissions without the opportunity for agricultural producers to sell carbon offsets. The study indicates that under a properly constructed cap-and-trade program, net returns for virtually all major crops would be positive. The study goes on to show that if carbon emissions are regulated by EPA as prescribed under a 2007 Supreme Court ruling, net farm income is projected to fall below baseline projections.

The 19-page study report concludes that a “. . .well-constructed cap-and-trade program that allows multiple offsets for agriculture (including bioenergy crop production) and manages residue removal to be carbon neutral, can generate positive net returns to agriculture while yielding carbon benefits. Such a policy is projected to provide nearly \$209 billion more in net returns by 2025 than the baseline. Such a policy also is projected to provide over \$364 billion more net returns than a policy where EPA regulates carbon without the benefit of multiple offsets. . .”

The study can be found at: <http://www.25x25.org/>

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