



Policy submitted by the Red Deer Chamber of Commerce and approved at the Alberta Chambers of Commerce Annual General Meeting in May 2005.

Agriculture offset credits can help Canada meet its Kyoto commitments

Canada is a signatory to Kyoto and on February 16th, 2005 this protocol became part of Canadian life.

As a nation, we have agreed to an Accord that could result in millions of dollars leaving our country as Large Final Emitters (LFE's) struggle to meet their Greenhouse Gas (GHG) reduction targets.

The migration of dollars is already beginning as the following press release indicates:

CALGARY, Alberta (Aug. 24, 2004) - TransAlta Corporation (TSX: TA; NYSE: TAC) today announced it has made the first Canadian purchase of Certified Emission Reductions under the Kyoto Protocol. The purchase of 1.75 million tonnes of greenhouse gas reductions will be officially signed Tuesday, Aug. 24 at a ceremony in Santiago, Chile.

"Meeting Canada's Kyoto commitment will be a huge challenge," says Steve Snyder, TransAlta's President & CEO. "With emission trades like this one, TransAlta is able to cost effectively take action now to reduce greenhouse gas emissions."

Large Final Emitters have two ways to meet their targets.

One way is through the reduction of GHG emissions by means of new GHG reduction technologies. The approved adoption will result in Certified Emission Reduction (CER) credits that will be applied against that company's goal.

The other way is through the purchase of Offset Credits (Offsets). Agriculture can be a source of these Offsets to the industrial and energy sectors.

The United Nations has recognized that agriculture can contribute to GHG reduction through carbon sinks.

Through the process of photosynthesis, plants use carbon dioxide (CO₂) to produce structure such as shoots and roots. Decomposed shoots and roots builds soil organic matter (SOM). In terms of CO₂ reduction SOM is significant!



For every 1 per cent increase in soil organic matter (SOM) per acre about 20 tonnes of carbon dioxide (CO₂) is fixed into the soil. Each tonne of CO₂ would generate one Offset. At \$10 per Offset on a 1000 acre farm, a 1 per cent increase in SOM over time would result in \$200,000 of added gross revenue (or about \$20,000 per year over 10 years).

On just 10,000,000 acres this would generate 200 Mega tonnes of offsets (20 Mt per year) over a 10 year period resulting in \$2 billion dollars in total farm revenue (\$200 million per year) and help Canada meet its annual GHG reduction target.

By providing financial opportunities in the form of carbon offset trading, farmers will accelerate the adoption of new technologies resulting in further reduction of fossil fuel consumption and nitrous oxide emissions while increasing carbon sequestration.

Creating a system where dollars flow from Canada's industrial sector to the agricultural sector is economically feasible and politically preferable.

The industrial sector will be spending money on accessing Offsets to meet their targets. The transaction of Offsets between LFEs and farmers is taxpayer-neutral. It is likely a taxable expense to the businesses and taxable revenue to farmers. It appears it would not contravene WTO nor is it a subsidy.

The Alberta Chambers of Commerce recognizes the importance of a vibrant rural economic to the well being of towns and cities throughout Canada.

There must be a system put in place that recognizes the efforts farmers are making in the sequestration of GHG's such as carbon dioxide.

In order for offsets to be created, there must be a verification process.

Since the sequestration of GHG's is a biological process, time is of the essence. Early implementation of data tracking will allow for more available offsets for the industrial and energy sector.

Farmers are ready to begin benchmarking their lands in order to track carbon sequestration; however, there is no protocol available which would verify their work.

The government needs to immediately make clear to farmers what protocols must be implemented in order to create verifiable data that can be registered as Certified Offset Credits.

The Canadian government must provide direction and opportunity that will enable agriculture to participate and benefit by helping achieve our national Kyoto targets.



The Alberta Chambers of Commerce recommends that the Government of Alberta and the Government of Canada:

1. Work together with industry input to set forth protocols that would allow farmers to begin the process of benchmarking their lands in order to create data to support offset credits.
2. Establish a verification system that will allow industry to confidentially purchase “verified” offsets from farmers.
3. Facilitate the broadest range of activities for the baseline year and accept as much early action as possible.
4. Develop a domestic trading system well in advance of January 1, 2008 in order to encourage both domestic and international offsets trading, thereby ensuring maximum liquidity and international recognition of Canadian offsets.