

## **Illinois Conservation & Climate initiative Question/Answer**

**Q:** What is ICCI?

**A:** ICCI began as a means of utilizing agricultural practices to offset the potential damages created by greenhouse gas emissions. The six greenhouse gasses thought to be responsible for affecting the earth's atmosphere and climate are Carbon dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous Oxide (N<sub>2</sub>O), Sulfur hexafluoride (SF<sub>6</sub>), Perfluorocarbons (PFCs) and Hydrofluorocarbons (HFCs). ICCI currently is concerned only with carbon dioxide and methane. Plants utilize CO<sub>2</sub> in the production of leaves, stems, roots and fruit. When left on the soil surface the plant material ties up, or sequesters, CO<sub>2</sub> and prevents it from entering the atmosphere. Agriculturally produced plant material provides an ideal carbon sequestering offset to help counter CO<sub>2</sub> emissions from businesses, corporations, municipalities, states and other entities. The destruction of methane through anaerobic manure digesters can produce energy as well as reduce greenhouse gas emissions.

**Q:** Why are we allowing big business to continue to pollute and buy their way out with minimal payment for things we are already doing?

**A:** Currently, there are no greenhouse gas (GHG) emission standards for the United States. Any reduction taking place is voluntary and being done by emitters as a "good faith" effort to demonstrate their commitment to improving the environment. To participate in the "cap and trade" program developed by the Chicago Climate Exchange (CCX), emitters must first join CCX by paying a fee and entering into a legally binding contract to reduce GHG emissions by 6% by December 31, 2010. The 6% reduction is a phased program requiring incremental reductions each year. When CCX members cannot meet their annual goals through upgrades to equipment or changes in their emitting processes, they must purchase credits to offset their emissions. Carbon sequestering practices implemented through conservation minded agricultural production of food and fiber are a ready source of these offsets.

**Q:** Why can't we count grassland and CRP land that was planted before 1999?

**A:** To determine any success in GHG reduction, a base level of atmospheric CO<sub>2</sub> was established during the period 1998 – 2000. Carbon sequestering practices eligible for the CCX offset program must have been established after 1999 to be able to effectively measure their impact on GHG reduction.

**Q:** To increase interest in the program, payments to farmers need to be much higher. Why are the payments so low?

**A:** Prices for carbon offset credits are market driven and completely subject to supply and demand. Because ICCI and similar offset programs in other states and Canada are supplying more offsets than emitters currently need the price is low.

**Note:** An April 3, 2007 US Supreme Court decision determined that US EPA can no longer state that GHGs are not pollutants will likely have a significant impact GHG emission levels in the future. Also, there are currently six bills in Congress that propose various means of regulating GHG emissions, generally favoring a cap and trade system. on the price emitters are willing to pay for offsets as well as substantially increase the numbers of emitters who will need to purchase credits.

**Q:** Why don't prairie grasses qualify for the ICCI program?

**A:** They do. CCX recently met with their technical advisory committee to discuss several sequestration practices. Even though burning is a recommended management practice, it will

cause more vigorous new growth that will sequester more carbon than was emitted during burning. Please see the table below for additional information regarding grasses:

Practice or Land Type	Description	Eligibility	Notes
Grass Planting	Grasses planted after January 1, 1999 on previously disturbed (e.g. agricultural) lands	✓	No distinction between warm and cool season grasses.  CRP/CREP grass is eligible as long as it was planted after January 1, 1999. Eligible practices include: CP1/2/4/5/8/10/15/21/23/25/33. CP23 (wetland restoration) acres must not have year round standing water.
Prairie Restoration	Natural landscaping and/or prairie grasses planted after January 1, 1999 on previously disturbed (e.g. agricultural) lands.	✓	Natural grass areas that are burned must have a management plan in place. A controlled burn can occur no more than one time per year.
Hay	Hay crops typically left in the ground for 3 to 4 years.	✓	If an alternative crop is tilled into the hay field at the end of the cycle, tillage must be no-till for the field to be eligible. Mowing and/or baling of hay can occur no more than one time per year.
Wetland	Areas that are wet all or part of the year.		Land areas that are periodically flooded or have year round standing water are ineligible at this time.
Grazing/Pasture	Areas that are grazed by animals, regardless of frequency or intensity.		Land areas set aside for ongoing pasture (i.e. livestock grazing) are ineligible at this time, but can be eligible if there is no grazing activity throughout the contract period and if the grass planting took place after January 1, 1999.
Alfalfa	Alfalfa crops in rotation as part of conservation tillage acres.	Credited as conservation tillage	If the alfalfa planting is intended as a cover crop or another form of rotation, credit is then given at the conservation tillage rate.

**Q:** Why is there no compensation for work SWCDs do in helping complete contracts?

**A:** CCX ethics policy will not allow them to pay verifiers who also assist producers with their contracts. The AISWCD, as verifier can provide funding for information and education activities carried out by SWCDs. To help fund this initiative, the AISWCD bills at \$30 / hour plus expenses for verification services. AISWCD pays verifiers \$20 / hour plus expenses and uses the additional \$10 to compensate SWCDs on a contract by contract basis for information and education efforts. We realize this amount does not cover the cost of providing these services but does provide recognition for your efforts.

**Q:** When will existing forests be eligible for ICCI contracts?

**A:** Delta Institute is continuing to work with a number of groups to finalize the methods of determining sequestration abilities for the existing forests and an economical means of measurement. As of April 5, 2007, Delta is not ready to pilot the practice in Illinois.

**Q:** What happens when a farmer works his no-till? Is he subject to penalties?

**A:** When vegetation decomposes, the carbon that was tied up in the vegetative matter is set free. When no-till is worked, the vegetation (root matter and splash covered residue) in the soil is exposed to the air and begins to decompose. The loss of CO<sub>2</sub> from decomposition neutralizes any gains in GHG reductions from the practice. If some tillage must occur to work out ruts or other problems, the producer must contact Delta Institute to determine contract compliance issues. Normally, if a small amount of tillage (spot tillage on less than 1% of the field acreage) is required, the contract will remain valid. If more extensive tillage occurs, the producer may be required to repay all payments received during his contract and be barred from further participation in the program.

**Q:** What tillage tools can be used and still allow for contract compliance in no-till?

**A:** Generally, tools such as anhydrous applicators, manure injectors, no-till drills and no-till planters that disturb less than 17% of the soil surface between the rows will be allowed. For example, at a maximum, 1.19" knives on 7" row spacing, 2.5" openers on 15" or 5" openers on 30" spacing are allowable.

General eligibility criteria and practices for the region (Land Resource Regions K, M & N) include but are not limited to the following:

- Continuous cotton, soybeans and pulse crops (i.e. beans, peas, lintels, etc.) are eligible only if there is a cover crop;
- Eligible implements include but are not limited to: no-till drill, no-till planters, rolling harrows, low disturbance liquid manure injectors, anhydrous ammonia applicator, manure knife applicator, sub-soil ripper with at least 24 inch shank spacing;
- Ineligible implements include but are not limited to: field cultivators, tandem disk, offset disk, chisel plow, moldboard plow;
- Histosol soils in Land Resource Region T are not eligible;
- In general if the implement would require that a leveling or smoothing activity follows, it would likely result in too much soil disturbance;
- Fallowed acres are not eligible in this region;
- No Exchange Soil Offsets will be issued in years in which residue removal and/or burning occurs.

**Q:** If a producer bales his grassland, can it still be eligible for the program?

**A:** Yes, but he may bale the grass only one time per year. Mowing the grass will help promote more vigorous growth and as long as the roots remain, most of the carbon that was tied up in the grass will remain sequestered.

**Q:** Why should districts assist producers in enrolling in the ICCI program?

**A:** Districts who assist producers with their enrollment do so of their own initiative. The forms are available for anyone to download from the [illinoisclimate.org](http://illinoisclimate.org) web site. ICCI has never expected SWCDs to fill out paperwork for producers. Producers are encouraged to contact the SWCD to learn more about the program and to obtain the forms if the producer does not have access to the web site.

**Q:** If a district employee has aided in filling out enrollment paperwork, can that employee still verify the contract?

**A:** SWCD employees who assist landowners in completing contracts may be able to verify those contracts if they are selected. The decision rests with the employee and should be based on the potential for a conflict of interest. SWCD employees should not verify contracts for their

directors, a relative or another district employee. If a district employee's contract is selected for verification, call the AISWCD. We will arrange for someone other than another employee to verify the contract.

**Q:** What is the price of carbon and, how often does it change?

**A:** Carbon was trading for \$3.50 per metric ton on April 5<sup>th</sup>. The price, though generally steady, is subject to demand and may change several times a day.

**Q:** How much carbon will one acre produce?

**A:** ICCI's goal is to sequester carbon, not produce it. For Illinois' soils, no-till and strip-till will sequester about 0.6 metric tons per acre. Grasslands will sequester about 0.75 metric tons and trees will sequester between 2.5 - 4.5 metric tons per acre depending on the size of the trees and the number of stems per acre.

**Q:** What can I say to make producers feel more comfortable enrolling in a three year contract under a new program?

**A:** If your producers don't feel comfortable with the knowledge that they will be able to maintain the eligible practice for the life of the contract, they should not enroll. The likelihood that the program will continue is great and with few exceptions, the program has been stable since its inception.

Producers who enroll their land in the program are entering a binding agreement that they will maintain the practice for the life of the contract or repay any payments they may have received. Carbon emitters have, in good faith, purchased the credits being produced by the eligible practices. When those credits are invalidated through a breach of contract, the carbon emitter must repurchase the credits. It is reasonable to hold the producer liable for the cost of repurchase.

**Q:** If a pasture is overgrazed, can it be accepted into the program?

**A:** Overgrazed or poor quality grassland should not be enrolled in the program. Even though most of the carbon is tied up in the roots, poor quality grasslands do not have good root structure and are poor carbon sequestration practices.

**Q:** How can I respond to producers when they ask "When do I get paid?"

**A:** ICCI currently has two six-month pools each year. The first pool, Pool I ended October 16, 2006. Pool II ended March 31, 2007 and Pool III will end September 30, 2007. It is expected to take two to three weeks after the pool closes to finish up any incomplete contracts and populate the database with all contract information. Within a week of certifying the database, a list of contracts needing verification will be developed. As soon as the verification is completed for all selected contracts a report is prepared and submitted to CCX and Delta. The report must be submitted to the National Association of Securities Dealers along with the amount of carbon credits that will be offered for sale for the entire pool for its concurrence. Upon NASD concurrence, the credits can be sold and checks issued. The first round has taken longer than anticipated due to the inexperience of all concerned. It is expected that producers who have contracts in Pool II will be paid in late May or June, about two-and-a-half to three months after the pool ends.

**Q:** How can I respond to producers who ask "What is the negative side of the program?"

**A:** The negatives involved in the program deal with the producer's failure to maintain the agreed to carbon sequestering practices and the requirement to repay payments received. Practices that fall victim to natural occurrences such as wildfire, drought, floods, etc., will be

dealt with on a case by case basis. A percentage of the carbon offsets produced in each pool is held for just such occurrences. If no disasters occur, the percentage is added back into the pool and producers receive the proceeds for the sale. In cases where a producer can reasonably expect to have to work out ruts because of wet soils during harvest, it is recommended that the land not be enrolled.

**Q:** How do we build the number of participants to grow this program?

**A:** Keep on doing whatever it is you are doing. Enrolled acres have increased from 46,000 at the end of Pool I to 113,000 at the end of Pool II. When you are working with a producer who maintains qualifying practices, let them know about the program.

The AISWCD has contracted with Learfield, Inc. to produce three radio ads. One dealt with lawn fertilization and has already been aired. The other two deal with forestry plans and no-till. Both will encourage landowners enroll in the ICCI. These ads will air in the late summer and fall.

IEPA has developed a brochure that explains the program and will make it available if you will let Dick Breckenridge or Sarah Tadla know your needs. E-mail addresses are [Richard.Breckenridge@illinois.gov](mailto:Richard.Breckenridge@illinois.gov) or [Sarah.Tadla@illinois.gov](mailto:Sarah.Tadla@illinois.gov) or call Sarah Tadla at 217/558-4455.

**Q:** Landowners need more information on the program, how can we get the information to them?

**A:** Same as above as well as talking about the program in your newsletters and at local meetings and events.

**Q:** Our district does not feel like an equal partner in this program, why should we be a part of this program?

**A:** SWCD participation in the ICCI program is entirely at the discretion of the board. This is a completely voluntary program and anyone who does not feel comfortable in participating is encouraged to stand by until they reach a comfort level that will allow for participation.

**Q:** My Board does not feel comfortable allowing our district to participate, what information can we obtain to aid them in understanding the benefits of the program?

**A:** See previous answer. If the board's reluctance is simply a matter of having insufficient information to make a decision, there are a number of directors who have entered into contracts as well as approved their SWCDs participation in the program. We will be happy to suggest someone to contact who would be willing to discuss the program with your board.

**Q:** Are SWCDs allowed to charge applicants for filling out applications? What price could we charge?

**A:** Clearly, SWCDs have authority granted by the Districts Act (70 ILCS 405/22.09) to charge for services. As a matter of ethics, we believe it would be inappropriate to charge for assistance in completing an application that the SWCD might also verify.

Establishing fees for assistance is the board's responsibility. In all cases, fees should reflect a reasonable amount that will allow the SWCD to recover expenses directly attributable to the service being provided. All fees must be clearly stated in information provided to the service requester before the service is rendered. Fees must be applied equally to all persons requesting the same or similar service.

**Q:** What role does AISWCD play in this program?

**A:** AISWCD applied for and was granted authorization by CCX to verify soil offset (no-till and grassland) and forestry offset practices. AISWCD was the second verifier (there are currently 5) authorized to field check carbon sequestration practices. As members of AISWCD, SWCDs are offered the opportunity to perform those field checks. Payments made to AISWCD for these services are passed on to the SWCDs who perform the work. AISWCD currently bills \$30 per hour plus mileage and allowable expenses. AISWCD passes on \$20 per hour and all mileage and expenses to the SWCD who performed the verification work. The remaining \$10 is sent to SWCDs who had ICCI contracts but did not perform verification to help defray their information/education costs. AISWCD sent checks to 34 SWCDs in the amount of \$1,120.00 at the end of March for I/E activities.

**Q:** Does AISWCD make any money from this program?

**A:** AISWCD has recovered its costs for time and expense to travel to Chicago on several occasions to meet with CCX and Delta, a percentage of the costs associated with making a presentation at NACD's Annual Meeting in Los Angeles and time and expense associated with preparing and mailing verification reports to CCX for Illinois' Kentucky's and Indiana's first Pools. We bill \$50 per hour to cover time for two staff and office expense. We do make a small profit currently estimated at about 5%.

**Q:** Is there a minimum of carbon credits or acreage when it comes to enrollment?

**A:** Currently there are no minimums for credits or acreage. There has been a good deal of discussion about setting minimums but, with the potential for credits to become worth more, it becomes a difficult process of setting a cut off.

If you have a producer with small acreage who is interested in the program, I encourage you to check (or suggest that the producer check) the carbon credit calculator on the <http://www.illinoisclimate.org> web site. That may help the producer decide if it is worth their effort.

**Q:** Why is AISWCD being paid to administer the program and not the districts?

**A:** The reason is that the AISWCD applied for the authority to verify. If an individual SWCD would like to apply for that authority, the SWCD could administer the program in their district and receive administrative funding.

**Q:** If a landowner plants grassland or timber, how long do they have to wait to enroll in the program?

**A:** Grassland will normally be eligible for the program as soon as it is established and growing. Tree plantings are not eligible until the trees are at least 1" in diameter at breast height (4.5 feet).

**Q:** What happens to land that is damaged by storms while under contract with the ICCI program?

**A:** Anytime something happens to land under contract, the landowners should contact Delta. A determination will be made at that time and will be based on the event, the severity of the event and the means by which the damage will be repaired.

**Q:** Where can we obtain training on the program?

**A:** AISWCD is working with CCX, Delta and IEPA to develop training for SWCDs who wish to participate in the verification process. We hope to be able to offer training at summer conference if not before.

Please keep in mind that this is a pilot program. Everyone involved is gaining knowledge and experience as we proceed. For example, we are finding that some field tools and practices that were thought to be acceptable are not and some thought not to be acceptable are if used correctly. Examples include strip till (no longer accepted) and warm season grasses (now eligible). We also have discovered that sequestration rates for no-till and grass are about .6 and .75 (as compared to .5 and .7) metric tons of carbon per acre respectively on Illinois' soils. The point is you can continue to expect changes to occur as knowledge increases. We will try to keep you informed as we learn of new changes. We hope to be able to use this Q/A document for that purpose. All changes or additions will be dated to show the effective date of the update.

The process of sequestering carbon in an effective manner through no-till and strip-till as well as grassland planting is somewhat different than controlling erosion with the same practices. Some tillage can occur on no-till and still meet residue requirements established in the NRCS tech guide. Tillage in no-till or grassland that disturbs the soil surface no matter how little has a significant negative impact on the practice's ability to sequester carbon.

More detailed information about carbon trading and a list of members of the CCX can be obtained by visiting the Chicago Climate Exchange's web site at <http://www.chicagoclimateexchange.com>.

More detailed information about Delta Institute can be obtained by visiting <http://www.delta-institute.org>. You can click on a link to the Illinois Conservation & Climate Initiative or go directly to the ICCI web site at <http://www.illinoisclimate.org>.