



The True Solution for Managing Climate Change

FORESTRY & AGRICULTURE GHG MODELING FORUM

WORKSHOP #3: Modeling to Support Policy

Private Sector Requirements for Ag Mitigation Investments & Aggregation: How Modeling Could Help

Galo Acosta
AgCert Canada
AgCert International

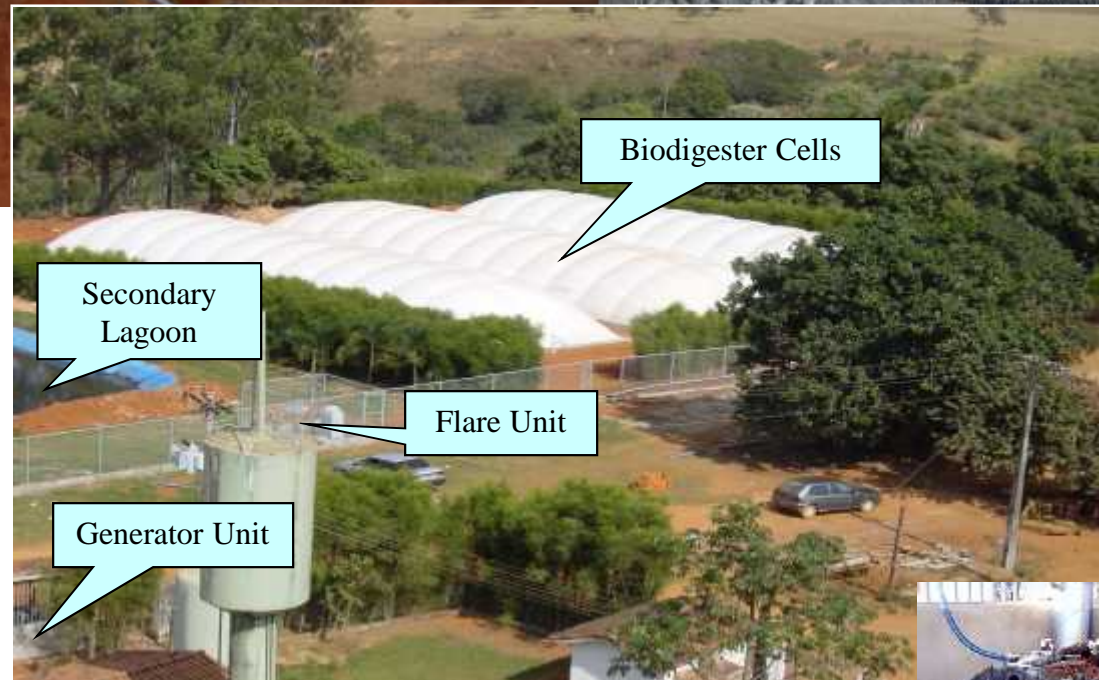
- ◆ AgCert: Who We Are
- ◆ Market Dynamics
- ◆ Market Responses
- ◆ What Defines Credit Quality?
- ◆ Why a Rigorous Management System?

AgCert

- ◆ Established: 2001
- ◆ Vision: Drive positive change in Agriculture
- ◆ Mandate:

Work with agricultural producers to create greenhouse gas (GHG) emission reductions (ERs) and Carbon Credits, using the resulting offset revenue stream to finance the practice/technology changes and administrative infrastructure.

 - ◆ Agriculture as an anthropogenic source
 - ◆ Mitigation of livestock emissions + soil management
 - ◆ ISO 9001/14001 certification & management systems (pending)
 - ◆ ISO 14064 review
- ◆ Strategy:
 - ◆ Require sound science
 - ◆ Utilize economically sustainable solutions
 - ◆ Achieve verifiable compliance
- ◆ Science Partnership: USDA CRADA #58-3K95-2-949
- ◆ Locations:
 - ◆ Canada HQ = Edmonton, AB
 - ◆ United States HQ = Melbourne, FL
 - ◆ CDM Activities
 - ◆ Brazil / Mexico projects underway; establishing local subsidiaries
 - ◆ Market research: balance of Latin America, ASEAN, ASIA



- ◆ Digester cells are covered & collecting biogas
- ◆ Flare & generator installed and operating
- ◆ Construction underway at 10 additional sites; 10-20 more scheduled for this year

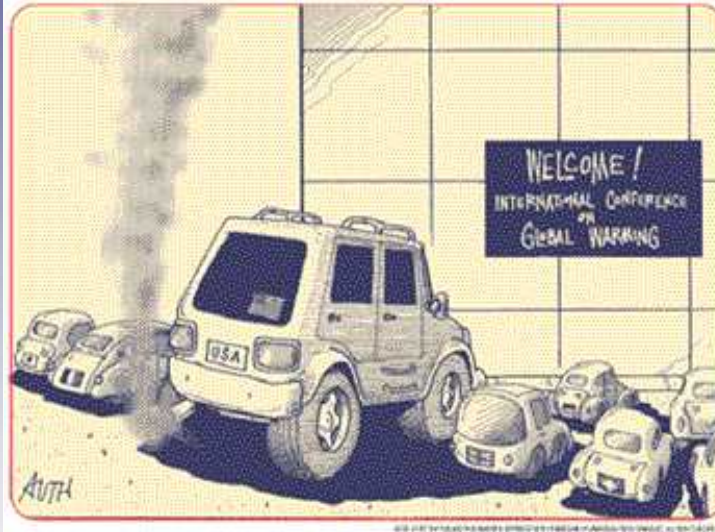
GHG Requirements being driven by:

- ◆ Kyoto Accord
- ◆ EU ETS
- ◆ Domestic / Regional Trading Systems
 - ◆ Canada (and Provinces)
 - ◆ U.S. Regional
 - ◆ Japan
- ◆ Funds
 - ◆ World Bank managed
 - ◆ Individual governments
- ◆ Commercial Drivers
 - ◆ Carbon Disclosure Project II
 - ◆ Sarbanes-Oxley
 - ◆ Shareholder Activism
 - ◆ Liability Issues

“The potential compensation for climate change impacts would make the tobacco pay-outs look like peanuts”

Cited in Financial Times, July 14, 2003

– Peter Roderick, Climate Justice Programme Lawyer



MONDAY, JANUARY 12, 2004

THE WASHINGTON POST

Tom Toles



- ◆ EU ETS Linking Directive (Directive 2003/87/EC, adopted 9/13/04) “recognizes” CDM/JI Flexible Mechanisms as cost effective means to meet their GHG requirements (projected shortfall > 100 million tonnes CO₂e)
- ◆ Canada’s Climate Action Plan identifies Kyoto shortfall > 60 million tonnes CO₂e)
(Implementing Domestic Trading System irrespective of Kyoto)

- ◆ Capital Flight Issue...

Credits that meet all global “credibility” tests...

Credits that enable emitters to meet their compliance requirements...

Credits created through a rigorous, verifiable approach...

Requirements

- ◆ Government Approval
- ◆ Science based
 (“sound science”)
- ◆ 3rd Party Verified
- ◆ Audited
- ◆ Clear Title
- ◆ Data Transparency
- ◆ Permanence
- ◆ Additionality
- ◆ Long term contracts/relationships
 with large quantities on consistent
 terms

Goals

- ◆ Sustainable Economics
- ◆ Guaranteed delivery (escrow)
- ◆ Co-Benefits
 - ◆ Environmental
 - ◆ Economic
 (new “industry”)

- ◆ Policy Definition
 - ◆ Sectorial Eligibility
 - “Project” vs. “Sector” Orientation
 - ◆ Baselines
 - ◆ Validation/Verification Criteria
 - ◆ Proponent Qualifications (3rd party organizations)
 - ◆ Registration/Retirement
- ◆ Risk Assumption: who should bear it?
 - ◆ Buyers: seeking to meet compliance requirements
 - ◆ Sellers: asset risk; “counter party” risk
 - ◆ Government: has means to “backstop” sellers, provided all criteria met
 - * Modeling is best enabled via government recognition of modeled “results” (coupled with ongoing verification program)

- ◆ Bridges gap between science and policy
- ◆ In conjunction with verification program, can be used as cost-effective means to meet emitter requirements
- ◆ Alleviates “project based” start dates problem (by recognizing “annualized” gains)
- ◆ Requires Government recognition!

- ◆ Agriculture can play significant role mitigating worldwide carbon/GHG problem – with a rigorous management system
(billions of tonnes total capacity)
- ◆ Aggregation is key to creating ‘consistent supply’ between diverse sources & suppliers (“farms”)
- ◆ Standards & Government ‘signaling’ critical to market development
 - ◆ Process is as important as the end-product [transparency, etc.]