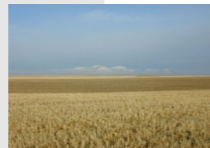




National Carbon Offset Coalition (NCOC)

A UNIQUE MARKET-BASED APPROACH

QUESTIONS AND ANSWERS ABOUT CARBON OFFSETS



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How much income can landowners expect to earn from carbon credits?

Landowners will be credited with 0.2-.6 metric tons of carbon for each acre of eligible no-till cropping and from .04 or 1.0 ton per acre for qualifying grass stands each year of the contract. On native rangeland in the eligible territory, producers can earn .12 to .52 metric tons per acre with an implemented grazing plan to improve the range vegetative growth. Rotational or managed grazing is used to restore or maintain range conditions and increase the carbon stored. Forestry offsets are also available nationwide, with sequestration rates varying depending on where the trees are grown, type and species of trees, tree age and size, and density of the trees. These offsets are on eligible land with trees planted or regenerated after 1990. The price per ton on the Chicago Climate Exchange varies every trading day. To review current prices visit <http://chicagoclimateexchange.com>. In addition, each year 20 percent of the carbon earned will be placed in a reserve by the CCX that will be paid in a lump sum at the end of the contract. This provides an incentive for producers to complete all terms of the contract. There are also penalties for early termination of land management practices.

Why are the terms of contracts for four to five years?

Due to the nature of the pilot program status of CCX and due to the turnover in land ownership or rental agreements, a five year contract seems to be most practical. The Chicago Climate Exchange is still in a Phase 2 pilot project status until 2010. It is NCOC's hope that CCX will enter into Phase 3.

What if the price of carbon changes?

Carbon credits are priced at the time of trade, so the price received will vary year-to-year. For instance, if carbon prices increase, the value of the annual payments would increase as well. Likewise, there would also be a chance that stored carbon could be worth less in future years, depending on the supply and demand of carbon offsets in world markets. A producer signing a five-year agreement would have the price set at least five times during the contract period.

In the case of rented land, does the landowner or the tenant get the credits?

NCOC allows the contracting of credits on leased lands. A letter from the lessor is required documenting the leasee has right the right to place the credit on the exchange. Any agreement between the lessee or lessor as to the distribution of income is between those parties.

How might these contracts affect land sales or transfers?

The carbon credit contracts, though voluntary, are binding to the effect that the practices have to be completed for the life of the contract. If a landowner sells land that is covered by a contract, the next landowner would have to accept the arrangement and continue the practices or the first landowner would face penalties for breaking the contract.

Is the Carbon Credit market a government program?

No. It is private industry, local and state entities, and even qualified individuals are purchasing offsets through the CCX.

How do landowners sign up?

Visit <http://www.ncoc.us> or call 406-491-4471.



QUESTIONS AND ANSWERS

What is the concept of storing carbon in agricultural soils?

Through the process of photosynthesis, all plants absorb carbon dioxide from the atmosphere; release oxygen molecules; and store carbon in plant tissues, especially roots. As plants die, carbon molecules remain underground unless disturbed by tillage or any operation allowing carbon atoms to combine with oxygen and escape into the atmosphere as carbon dioxide. Many soils were native grasslands or forests prior to cultivation, containing high amounts of carbon. After years of tillage, a lowered equilibrium level of carbon in the soil has been attained, where the amount of carbon sequestered by plants annually is about equal to the amount lost in the atmosphere. Converting to no-till crop production and long-term grass seeding practices result in higher levels of carbon being stored in the soil. Producers now can earn income in the carbon credit market for storing carbon, thereby reducing greenhouse gas emissions.

What are greenhouse gases?

Greenhouse gases allow sunlight to enter the atmosphere freely. When sunlight strikes the earth's surface, some of it is reflected back toward space as infrared radiation (heat). Greenhouse gases absorb this infrared radiation and trap the heat in the atmosphere, generally producing an increase in the average temperature of the earth. Rising temperatures may produce changes in weather, sea levels and land use patterns, commonly referred to as "climate change."

According to the National Energy Information Center, greenhouse gases have increased by about 25 percent since large-

scale industrialization began around 150 years ago. In the U.S., greenhouse gas emissions occur mostly from energy use driven largely by economic growth, electricity generation, and weather patterns affecting heating and cooling needs. Globally, the U.S. produces about 25 percent of carbon dioxide emissions from burning fossil fuels.

What is the Chicago Climate Exchange?

The Chicago Climate Exchange (CCX) is North America's only, and the world's first, greenhouse gas (GHG) emission registry, reduction and trading system for all six greenhouse gases (GHGs) – carbon dioxide, nitrous oxide, methane, hydro fluorocarbons, per fluorocarbons and sulfur hexafluoride. CCX is a self-regulatory, rules-based exchange designed and governed by CCX members. Members make a voluntary but legally binding commitment to reduce GHG emissions.

Who buys carbon credits and why?

Many Fortune 500 companies, multinational corporations, utility and power generation companies and others have been buying carbon credits for a number of reasons. Some companies have subsidiaries based in foreign countries that have signed on to the Kyoto Treaty and are required to either reduce emissions or buy offsetting credits. Some companies are buying credits as part of a good "corporate citizen" public relations campaign and many are genuinely concerned about reducing greenhouse gas emissions. For others, buying credits is strictly a business investment in the event that carbon prices increase. Credits can be

bought and sold easily by brokers much as other commodities are traded in other exchanges.

Why is NCOC promoting a carbon credit program?

Since 2005, NCOC has been an official aggregator of carbon credits for the Chicago Climate Exchange. Carbon sequestration projects and the carbon credit market provides an opportunity for landowners, public and private corporations, tribal, local and state governments to participate in a market-based conservation program that can; help offset the environmental impacts of greenhouse gases, reverse soil, water and air degradations, provide enhancement of wildlife and recreational opportunities while creating a new source of revenues for landowners and communities through the sale of carbon credits.

How are carbon credits priced and when is income received?

During each production year covered in the carbon credit contract, a database of all land tracts under contract will be assembled and transmitted to the CCX. After harvest, CCX will randomly select a portion of the tracts for a spot check by an approved verifying firm who will make actual field visits.

Immediately after, the credits will be placed in the NCOC trading account and sold. The individual producer will receive his or her share of the sale proceeds (less a 10 percent administrative fee to NCOC) immediately after the pool of credits is sold. The concept of carbon credits trading is similar to dealing with any other agricultural commodity exchange such as the Minneapolis Grain Exchange or the

Chicago Board of Trade.

Do farmers and ranchers have to prove they actually store carbon in their soil through soil testing?

The Chicago Climate Exchange and other overseas markets have adopted the following concept based on the best peer-reviewed soil science available, which is: If the practices of no-till cropping, grass seeding, range management or forestry are indeed carried out during the contract, sequestration or storage of carbon at the agreed upon amounts is assumed to have occurred. No beginning or ending soil testing protocols are needed to fulfill the contract requirements, just certification and verification that the practices are implemented.

NCOC has also partnered with the Big Sky DOE Carbon Sequestration Partnership. Ongoing research is being conducted by Montana State University, Washington State University, and Los Alamos Lab for measurement, monitoring and verification (MMV) processes and technology on farms which are part of the NCOC marketing effort. These farms are located in north central Montana. The research is intended to provide cost-effective MMV procedures and technologies if such practices are required in future federal legislation or to be used by CCX participants to provide documentation on soil carbon rates if they wish to try to obtain a sequestration rate greater than the rate allowed by the present CCX default rate.



CARBON COWBOY