



## “The Voice of Manitoba Farmers”

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## **Who Owns the Carbon Credits?**

Keystone Agricultural Producers has received numerous phone calls since the announcement regarding beneficial management practices (BMPs) under the Environmental Farm Action Program (EFAP) and Manitoba Sustainable Agriculture Practices Program (MSAPP) on September 2, 2009. The calls were regarding confusion about who owns the project related carbon credits.

In the terms and conditions of the application form it states that carbon offsets (if any) achieved from greenhouse gas reductions and removals through BMPs incited by MSAPP and/or EFAP will be owned by the Province of Manitoba and the applicant(s) in proportion to the original contributions provided for the project by same until the retirement or sale of the credits.

“We interpret this to mean if they fund 70 per cent of a project, they own 70 per cent of the credits for the duration of the Growing Forward agreement—which is four years,” says Ian Wishart, KAP President.

This provides the producer an opportunity for the first time to get real value for the carbon offsets they create. The dramatically higher percentage of funding in this round of BMPs and all of the extra funding under MSAPP is directly connected with the province’s desire to collect some of the agricultural offsets to meet their commitment to be “greener” in government practices.

“By the time the Growing Forward agreement ends we hope a national offset system will be created,” says Wishart. “At the very least with a recovering economy value will have come back to international offset markets.”

To provide some clarification, KAP has asked the province to put together some examples to illustrate the intent of the statement and how it will work for producers.

### **MSAPP Example 1: Increased Perennial Legumes in Annual Crop Rotation**

Converting sensitive lands from annual crop rotation to perennial forages reduces greenhouse gas (GHG) emissions by reducing nitrogen fertilizer rates and increasing carbon sequestration. Program funding supports cost of establishment and restoration of tame or native species to its objectives.

MSAPP will pay 75% up to \$15,000. Therefore, the province will retire the proportion of carbon credits associated with the provincial contribution to the project (75% up to \$15,000). The ownership period is the same as the project duration—up to the end of 2012. After this period, the producer will be free to make use of the offsets.

### **MSAPP Example 2: Reduced GHG Emissions from Manure Storage – Slurry Storage Covers**

Covering liquid manure storage facilities can be an effective way to reduce GHG emissions. Eligible costs for constructing new or upgrading existing manure storage infrastructure will include engineering design, contractor fees, materials and labour.

MSAPP will pay 90% of the costs of the BMP, or up to \$100,000. Therefore, the province will retire the proportion of carbon credits associated with the provincial contribution to the project (90% or up to \$100,000). As for the ownership of the carbon offsets associated with this BMP, the province will retain ownership for a period of 10 years. After that period of time, the producer will be free to use the offsets.

### **EFAP Example: Manure Solid-Liquid Separation**

Manure treatment can reduce odour and pathogens, reduce GHG emissions, and increase efficiency of nutrient management. Program funding will pay 50% of the costs up to \$150,000. Therefore, the province expects to retire the proportion of carbon credits associated with the provincial contribution to the project (50% up to \$150,000). The province will retain ownership of the carbon offsets for the duration of the project (i.e. until March 31, 2013).

“With the exception of lagoon covers, the percentage of funding provided will be the percentage of ownership by the province to the end of the program,” says Wishart. “For MSAPP that is until the end of 2012, however, under the Environmental Farm Action Plan (EFAP) it is to March 31, 2013, which is the end date for that program.”

During meetings with the province, KAP lobbied for higher percentage amounts for BMPs and considered that since the province was paying for a portion of the project it could own the percentage amount of the carbon credit for the term of the program. Since there is currently limited value for credits and very limited market opportunities for trading, the higher percentage helps producers and the limited ownership of the credits helps the province.

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Keystone Agricultural Producers is Manitoba's largest general farm policy organization, representing over 7,000 farm families and 22 commodity groups throughout the province. Our strength is our democratic structure, and our mission is to represent and promote the interests of the province's farm families.