



CARBON MARKETS

Before You Sign: 7 Tips for Entering Carbon Markets

Author:

Hans Schmitz

Lead Conservation Cropping
Systems Agronomist
Department of Agronomy
Purdue University

Many private companies and some public entities are offering opportunities to participate in carbon markets. Legal language provided in these contracts commits producers to various levels of paperwork and farm management practices. Below are some suggestions and questions you should verify before signing up your farm entity to participate in a market.

1. Know your payment. Many markets report payments per ton of carbon sequestered. This creates uncertainty that needs to be converted to total dollars or dollars per acre enrolled.

2. Know the true length of the contract. Carbon market contracts with farmers can require a practice anywhere from one year to 10 years or more. Some contracts may require renewal or practice continuance after the intended expiration.

3. Know the reporting conditions required by the contract. Some farmers are hesitant to report intricate details of farm management, such as input expenses or actual production history. No matter what details are required, reporting will probably take a significant amount of time for one individual on the farm.

4. Is the farm allowed, per the contract, to receive other payments for the same acres enrolled? NRCS EQIP programs also incentivize some practices that carbon markets incentivize. Ensuring that the farm will not be prevented from capitalizing on opportunities is important.

5. Does the contract require new practice adoption, or can it reward current conservation practices? Some companies are now beginning to find ways to bring longtime no-till and cover crop users into the market.

6. How will data be verified? Some markets may require third-party verification, including site visits to see the practices on the acres. Some markets may require frequent soil testing. Others may use an honor system with offsite checks for data feasibility.

7. Who pays for verification? Many markets pay for verification at no cost to the farmer, with the knowledge that practice adoption in-field incurs costs to the farmer. Others may require the farmer to pay for soil testing, shipping, or other expenses.