



# Issues Brief

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2101 Wilson Blvd., Suite 400, Arlington, VA 22201  
703.243.6111 • www.nmpf.org

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*"Connecting Cows, Cooperatives, Capitol Hill, and Consumers"*

## Key Issues for the Dairy Industry in Climate Change Legislation

The dairy industry is poised to play an important role in the upcoming cap and trade legislation with a robust offset market. Through properly written legislation, the dairy industry could be a valuable offset, providing valuable, verifiable, environmentally additional and measurable greenhouse gas reductions.

### **NMPF has identified a few key components for the offset market:**

The agriculture and livestock sectors must not be capped. This needs to be made explicitly clear in negotiations and legislation to avoid backdoor regulation of livestock operations.

**Additionality of Digesters** - Digesters that are already in existence must be considered additional because digesters provide new greenhouse gas reduction each and every day they are running and the practice of using digesters is very small percentage of the dairy industry currently.

**Administrative Agency** –It is necessary for the dairy industry to have USDA play a key role in the offsets title. USDA should administer the offsets program because they understand these agriculture programs and EPA can share in establishing some of the requirements to assure environmental integrity. This way, farmers would continue their coordination with USDA.

**Fast-Tracking** – The dairy industry has permanent, measurable and verifiable credits. A fast-tracking process would aid in cost containment of climate change legislation and prevent all offset project from being lumped together resulting in the delay of any projects getting approved. The dairy industry has the ability to bring this proven offset to market as soon as legislation is passed.

**NMPF also realizes the importance of an allowance market.** In the Lieberman-Warner climate bill, 5% of allowances were set aside for the agriculture sector. This would mean millions of dollars for the agriculture sector to use to reward early actors from other offset project types for avoided emissions and for research into new ways of quantifying offset credits. Of particular interest for dairy would be work to measure the ability to reduce nitrous oxide emissions in manure or by using manure-land application.

### **Background on Digesters in the US**

According to EPA, as of Dec 2008 there were 121 farm-scale digesters operating at commercial livestock farms in the United States, of that 93 were on dairy facilities. According to a 2007 NRCS report, the average capital cost per cow, was approximately \$733/cow. In addition, the average annual operating and management cost was about \$34,000. NMPF believes that wide spread use of methane digesters is possible with the proper incentives to bring down some of these costs through tax credits, carbon credits and a fair rate for the electricity generated.

There are three main types of digesters operational today. The first and most widely used, captures biogas to generate electrical power, many of the farms recover waste heat for the electricity generating equipment for on-farm use. These systems generate about 218,000 MWh of electricity per year. The other uses the gas in boilers, upgrade the gas for injection into the natural gas pipeline, or simply flare the gas captured gas to reduce emissions and eliminate odor.

In total, the combustion of biogas at the digesters prevents the emission of about 35,500 metric tons of methane annually (745,500 metric tons of CO<sub>2</sub> equivalent), according to EPA.