

# 10 Key Questions You Should Ask As You Consider Participating in Carbon Markets

There are a number of companies participating in the carbon market space including both well-known agribusiness corporations and new start-ups—with more players emerging as this concept gains acceptance. Without a national carbon market policy to establish standards, it's incumbent upon farmers to do some research on the types of programs available, the expertise and experience behind them.

As you consider your options, be sure you know the answers to these questions:

## 1 How and when do I get paid?

The compensation models vary by platform. Some programs pay by the acre for adopting specified management practices without regard to carbon capture. Others pay per verified carbon credit which is calculated on a per-ton basis. You'll also want to understand payment schedules and the percentages that may be held back by the contracting entity.

## 2 Who owns the data gathered from my farm?

Transparency and data security are key issues. By participating in carbon markets, you may be required to provide current and historical data on your operation, allow audits, and permit soil sampling. You need to understand what is expected of you and how the information gathered will be used and by whom. Is your information being shared beyond the specific carbon market program for which you are contracted? If so, why—and with whom?

## 3 Is there an acreage minimum to participate?

There is significant variance in acreage minimums across programs. Some require no minimum, while others range from 10 acres on up.

## 4 How is carbon being measured?

You should understand the process being used and confirm that their carbon sequestration projections are in line with those of other industry sources. You'll also want to know the project is following a protocol that is approved by a carbon registry—and you'll want to know which registry is being used. Also make sure the verifying organization does not have a conflict of interest in the measurement process.

## 5 How long am I committed to the program?

The effect of management practices on increasing soil carbon levels can take multiple years. Understand the contract length, terms and exit clauses. Some platforms are year-to-year contracts with annual renewal while others require commitments of 10 to 20 years or more. Some platforms and verification protocols recognize the impact that crop failures, weather and soil conditions can have on soil carbon in any given year. Understand what is included (and excluded) in any “act of God” clauses in the contract. If you're renting land, you'll want to take that into consideration before signing a long-term contract.

## **6 What happens if I lose carbon—or fail to increase it?**

Your carbon credit contract should clearly outline the consequences of losing carbon—known as “reversal”—or not meeting targets. In some cases, this could result in having to pay back compensation you receive in part or in full.

## **7 What is the business/revenue model of the marketplace?**

You deserve to know how the contracting entity is structured in terms of its revenue stream, fiscal strength and payment schedule.

## **8 What other costs, fees, premiums or penalties are involved?**

Understand not only what and how you're being paid, but also what your financial obligations are to third parties, verification services, etc. as well as any holdbacks or percentages that are being taken off the top.



## **9 How is the value of carbon established?**

Absent a national policy and/or oversight of carbon markets, the marketplace is a bit like the Wild West. Know how each entity not only measures carbon, but how they set the price—and how that compares to other markets.

## **10 Is it worth it?**

This is a question only you can answer. Under the right circumstances, carbon markets can provide a new source of revenue. You have to determine if that revenue is adequate compensation for the effort, risk and compliance that may be involved.

There are a number of online resources available as you explore the potential of carbon credits for your operation—from farm publications to news articles to information from individual carbon markets. We encourage you to keep this publication handy as you conduct your due diligence and consider your options.

You may want to consult an attorney to review the contract and help you understand your rights and obligations before signing.