

# CORNHUSKER ECONOMICS

## Climate Change Policy: The Waxman-Markey Bill

Market Report	Yr Ago	4 Wks Ago	4/2/10
<b><u>Livestock and Products,</u></b>			
<b><u>Weekly Average</u></b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight.....	\$84.76	\$89.44	\$97.12
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. ....	113.00	124.54	131.01
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. ....	94.86	102.00	110.61
Choice Boxed Beef, 600-750 lb. Carcass. ....	135.20	150.34	163.47
Western Corn Belt Base Hog Price Carcass, Negotiated. ....	56.82	72.26	73.52
Feeder Pigs, National Direct 50 lbs, FOB. ....	70.00	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean. ....	56.49	74.93	73.87
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct. ....	97.75	*	*
National Carcass Lamb Cutout, FOB. ....	249.90	266.78	283.15
<b><u>Crops,</u></b>			
<b><u>Daily Spot Prices</u></b>			
Wheat, No. 1, H.W. Imperial, bu. ....	5.30	3.84	3.62
Corn, No. 2, Yellow Omaha, bu. ....	3.93	3.54	3.35
Soybeans, No. 1, Yellow Omaha, bu. ....	9.77	9.12	9.21
Grain Sorghum, No. 2, Yellow Dorchester, cwt. ....	6.02	5.64	5.29
Oats, No. 2, Heavy Minneapolis, MN, bu. ....	2.04	2.26	2.08
<b><u>Feed</u></b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. ....	190.00	135.00	135.00
Alfalfa, Large Rounds, Good Platte Valley, ton. ....	77.50	87.50	87.50
Grass Hay, Large Rounds, Premium Nebraska, ton. ....	85.00	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average. ....	129.50	101.00	98.00
Wet Distillers Grains, 65-70% Moisture, Nebraska Average. ....	49.25	38.00	35.00
<b>*No Market</b>			

The Waxman-Markey Bill is a comprehensive national climate and energy legislation designed to reduce global warming pollution and transition to a clean energy economy. In order to accomplish the first goal, the bill introduces a cap-and-trade program.

### Cap and Trade

The cap and trade program establishes a limit “cap” on the total amount of greenhouse gas (GHG) emissions that would be allowed from specific economic activities.

Entities conducting such activities called “covered entities,” would be required to hold, as of April 1, 2013, emission permits or allowances for their previous year’s GHG reported emissions.

Under the Waxman-Markey Bill covered entities would include:

- Electricity plants
- Fuel producers and importers
- Industrial gas producers and importers
- Industrial stationary sources (only since 2015)
- Industrial fossil fuel-fired combustion devices
- Local distribution companies (LDCs)

Consequently, Nebraska corn ethanol plants and electricity generating plants would be capped under this bill (with some exceptions). Agricultural exploitations on the other hand, would not be capped, except for large units emitting more than 25,000 of CO<sub>2</sub> or its equivalent annually.

To achieve the desired decrease in GHG emissions the cap would be reduced annually. Compared to the level of GHG emissions registered in 2005, the cutback would reach three percent by 2012, 17 percent by 2020, 42 percent by 2030 and 83 percent by 2050.

The “trade” component of the cap-and-trade program results from the fact that anyone could sell, exchange, transfer or hold for compliance an emission allowance, without restriction.

Clearly, it will be cheaper or easier for some companies to reduce their emissions below their required limit than others. These more efficient companies, who emit less pollution than their allowance, can sell their extra permits to companies that are not able to make reductions as easily. This creates a system that guarantees a set level of overall reductions, while rewarding the most efficient companies and ensuring that the cap can be met at the lowest possible cost to the economy.

The supply and demand of pollution permits would create a market that would ultimately determine a price for the permits. The Environmental Protection Agency (EPA) has estimated that a permit to emit one ton of carbon dioxide or its equivalent would be worth from \$11 to \$15 in 2012, \$22 to \$28 in 2025, and \$70 in 2050 (in 2005 dollars). The value of all permits would be about \$60 billion in 2012 and roughly \$113 billion in 2025.

### **Revenue Opportunities for Farmers and Ranchers**

Covered entities would be allowed to satisfy a percentage of their compliance obligations by using “offset credits.” These would be created (supplied) by practices that avoid or reduce greenhouse gas emissions or sequester greenhouse gases, such as:

- ☞ Agricultural, grassland and rangeland sequestration and management practices, including:
  - Reduction of nitrogen fertilizer use or increase in nitrogen use efficiency;
  - Reduction in greenhouse gas emissions from manure and effluent; and
  - Reduction in greenhouse gas emissions due to changes in animal management practices, including dietary modifications.

- ☞ Changes in carbon stocks attributed to land use change and forestry activities, including:
  - Afforestation or reforestation of acreage that is not forested;
  - Management of peatland or wetland;
  - Conservation of grassland and forested land;
  - Reduced deforestation or avoided forest conversion; and
  - Agroforestry.
- ☞ Manure management and disposal:
  - Waste aeration;
  - Biogas capture and combustion; and
  - Application to fields as a substitute for commercial fertilizer.

The bill would grant farmers and ranchers revenue opportunities through the supply of (GHG) offsets.

### **Clean Energy and Energy Efficiency**

The bill would also require the implementation of a federal combined efficiency and renewable energy standard. Its main purpose would be to stimulate a more efficient use of energy and the production of renewable energy, such as wind energy, solar energy and renewable biomass, biogas or biofuels.

Additionally, it establishes a National Bioenergy Partnership to support the infrastructure needed to facilitate the deployment of sustainable biofuels and bioenergy technologies.

Other important provisions of the bill include a CO<sub>2</sub> emissions standard for coal-fueled power plants, requirements for retail electric suppliers and efficiency programs and standards for buildings, lighting and appliances.

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