

**EPA Announces Final Rules: Greenhouse Gases Are A Danger To Public Health  
Global Climate Change Summit Underway; Cap-And-Trade Program  
May Be More Palatable To Agriculture**

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The U.S. Environmental Protection Agency (EPA) announced a final rule on Monday, December 7, 2009 stating that greenhouse gases (GHGs) are a threat to the public health and welfare of the American people and could therefore be regulated under the existing Clean Air Act as prescribed under a 2007 Supreme Court ruling. The EPA's rule includes six greenhouse gases – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. The ruling will allow the EPA to move forward with new regulations on carbon dioxide emissions from power-plants, factories, etc. and to regulate global-warming gases even without Congressional legislation.

On the same day, about 15,000 participants from 192 countries attended the first day of the very intensive 12-day, 15th United Nations Climate Change Conference (COP15) in Copenhagen, Denmark. The overall purpose of this conference is to establish a new global treaty to reduce greenhouse gas reductions. The President is scheduled to address the conference.

The global food supply chain will be one of the central themes of this worldwide conference. Negotiations will focus on how much developed and developing countries will reduce and/or slow down carbon emissions and how much economic aid will be provided to developing countries to upgrade industrial systems. China and India have indicated that they may be able to reduce emission by 45% and 25%, respectively by 2020.

Decisions will be made that will have a huge impact on everyone, especially agriculture. Results of negotiations during global change conferences probably have the largest potential to impact what American farmers and ranchers will do in the future than any other activity. Legally binding treaties are not expected to be negotiated during this conference, but the pressure is on the U.S. to help negotiate and participate in a world clean-air treaty. Probably, the most that we can expect as an outcome from this intensive conference is to agree that we have a massive global climate change problem which must be resolved and to lay down some principals.

The whole nation appears to be expressing skepticism over the costs to implement massive climate change legislation. Most, however, agree that something must be done to manage the global warming trend. In terms of agriculture, while these new EPA regulations will have more of a direct impact on other industries, agriculture will experience the indirect impact of increased energy costs, such as increased prices for fuel, fertilizer, electricity, etc. Recent studies estimate that in the long term, fertilizer costs will go up. Corn production costs, for example, will increase about \$25 per acre because of higher fertilizer and fuel costs.

The House passed the American Clean Energy and Security Act of 2009 on June 26, 2009 and two Senate committees approved energy related legislation which included Renewable Energy Standards. It does not appear that climate change regulations affecting agriculture will simply “go away,” especially now that the EPA announced its final rule for GHG emission control.

Cap and Trade legislation, as passed by the House in June '09, was designed to reduce carbon emissions and allow farmers to financially benefit by retaining carbon in the soil. This means that while climate change rules will increase some expenses for agriculture, a cap-and-trade program could provide payments as well. While the agricultural sector contends that a cap-and-trade program will increase financial risk to agriculture as input costs will increase, other recent studies contend

that a properly constructed cap-and-trade program could increase net returns for virtually all major crops, especially when compared to an Environmental Protection Agency (EPA) regulated program to control carbon emissions as proposed by the EPA's December 7, 2009 final rule. So, while it is likely that EPA regulations will directly impact other industries and farmers may experience the same higher costs from the regulations, without any related programs which give agriculture the opportunity to be part of the solution, such as a cap-and-trade program, agriculture will lose both ways.

It appears that the time is right for agriculture to become involved in this climate change revolution in order to have an impact on the outcome.

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