

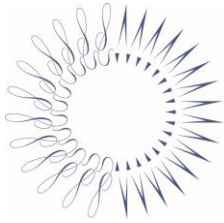
Briefing note: accelerating development & scale of carbon farming

Key proposals:

1. Restructure and strengthen the committee that assesses and recommends new carbon farming methodologies, forming a dedicated committee that can drive innovation. This would accelerate the development of new methodologies, maximising carbon sequestration and providing new environmental, social and commercial benefits for a wide range of farmers and Indigenous landholders.
2. Further scale up impact of carbon farming projects in the short term by: a) enabling projects with 25-year permanence periods to transition to 100-year permanence periods; and b) incentivising piloting of methods that are under development by permitting early action through a submission of a notice of intent under the Carbon Farming Initiative.

Summary

- Land based emissions still account for around 20% of Australia's emissions, even though the land sector is unique in its potential to operate as a net carbon sink compared with other sectors. Active land management to reduce emissions and increase carbon storage across Australia's landscapes therefore remains critical to taking real action on climate change.
- The Carbon farming framework was first legislated in 2011, has started to shift land management practices in some regions. It has provided a good foundation for scaling up efforts, but it currently falls short of realising the full potential to transform Australia's land sector.
- Uptake of particular carbon methods has had mixed results - of the 37 legislated carbon farming methods, projects have only been registered using 20 of these methods, and Australian Carbon Credit Units (ACCUs) have only been issued for projects using 12 of these methods. Further, new project registrations have slowed dramatically over the last twelve months, as there are limited remaining opportunities for projects that satisfy the existing method requirements.
- The Department of Environment & Energy has advised stakeholders that the current timeline for new method development is six years. Additionally, method reviews to amend and improve existing method are currently taking between two-three years. These very slow timeframes are due to insufficient resources, an inefficiently structured technical method development and review committee and inadequate funding for scientific research and pilots of new methods. The delays are unacceptable if Australia is to take real and urgent action on climate change.
- As a consequence of the lack of viable methods there is a highly constrained supply of carbon credits, which are primarily now being purchased under the Emissions Reduction Fund / Climate Solution Fund.



- Re-directing a portion of funding allocated to the Climate Solutions Fund, combined with improvements to enhance the design and administrative efficiency of the carbon farming framework, could rapidly address this gap and accelerate method development.
- While accelerating method development is critical, it will still take time. In the intervening period enabling projects with 25-year permanence periods to transition to 100-year permanence and incentivising piloting of methods under development by recognising early action would scale-up efforts.

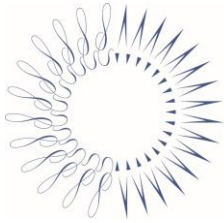
Issues with the current approach:

After an initial start where 26 methodologies were approved by Domestic Offset Integrity Committee by 2014, only 11 new methods have come online in the last four years even though the scheme has expanded in scope to cover additional sectors. This is in part because Emissions Reduction Assurance Committee was given additional functions compared its predecessor, the Domestic Offset Integrity Committee, but no substantive additional resources. Further, with industry no longer able to propose methods, the Department was also given extra functions to develop methods across all sectors without additional resources.

Lower uptake is also a product of less industry involvement in the design and development of new methods, as some recent methods are unsuitable for implementation, either owing to unachievable eligibility criteria or prohibitive implementation costs.

As a consequence, there is now a backlog of potential methods which are languishing. Approval of these would provide major additional carbon sequestration gains and also provide significant environmental, social and economic benefits for remote and rural communities, including for many remote Indigenous communities with limited other economic opportunities. Examples include extension of the vegetation methods to a more comprehensive active landscape management method that would apply holistically across an entire property in the rangelands and high-productivity agricultural lands, as well as methodologies to reduce fires in the Western Deserts and the Great Western Woodlands.

Further, the Climate Change Authority conducts legislative reviews of performance of the carbon farming legislative framework based on the following criteria: economic efficiency; environmental effectiveness; equity; consistency with Australia's international obligations and objectives; and impact on households, businesses, works and communities. In contrast, the Emissions Reduction Assurance Committee develop methods with reference only to the offset integrity standards which focus only on whether the abatement is additional, measurable and verifiable. These criteria are obviously necessary and foundational, but they alone do not determine whether a project will be technically or commercially viable on the ground.



Finally, there are a range of additional administrative arrangements which we believe are impeding the efficient functioning of the scheme and its ability to deliver an environmental impact at scale. These include long processing times for project applications, inability to commence early actions because of the loss of 'additionality' and the ability to transition to longer project permanence periods.

Recommended solutions

1. Better resourced & dedicated carbon farming method development committee

We propose adopting a hybrid approach to method development that addresses the historic problems posed by having an either wholly industry-led method development or the wholly Department-led method development, as it currently the case. The Emissions Reduction Assurance Committee is currently only resourced to meet bi-monthly and does not have any full-time resources. We propose establishing a time bound taskforce under the Climate Solutions Fund that is bought together for each specific method to accelerate method design and testing. This new approach could be initially trialled to develop the active landscape management method, which would provide the quickest avenue to accelerate supply and builds on established methods and expand on existing registered carbon farming projects. The taskforce could develop this new approach within six months by bringing together appropriate expertise from the Department, CER, ERAC, industry and academia.

*(*by industry we mean landholders and their relevant representative bodies & carbon farming companies)*

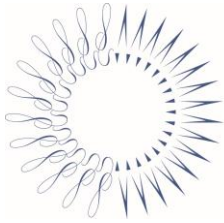
2. Broadened offset integrity standards

We recommend the offset integrity standards be updated to broaden the criteria considered when developing methods to ensure they are implementation-ready and scalable. This could be achieved by adding the criteria currently used by the Climate Change Authority to the existing foundational criteria.

3. Scale up impact by strengthening scheme design and improving administrative efficiency

Currently, sequestration projects that have opted for a 25-year permanence period cannot apply to shift to 100 years. Changing this element of the scheme design to enable projects to apply to lengthen their permanence period after registration would scale up the scheme impact. Many landowners are initially hesitant to enter the scheme, and hence unlikely to select a 100-year permanence period from the outset. But once they are familiar with how it works, they are more likely to consider shifting to the longer timeframe. This would deliver better environmental outcomes at no cost.

Processing times for applications to the Clean Energy Regulator are a significant challenge, as they create inefficiency in scheme administration and at times act as a barrier to participation. The legislation specifies 90-day processing times; however,



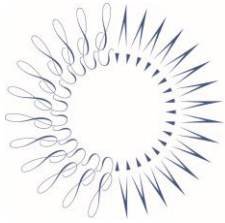
these are frequently not met by the Regulator. There are no ramifications where a deadline is not met by the Regulator, while conversely, if project proponent misses a deadline they incur penalties and no leniency is given. We recommend that the Regulator processing times should be made more efficient and reduced to 30 days (enabled by appropriate allocation of funds for human resources and data management systems). Conversely, the Regulator should be given more discretion to consider special or extenuating circumstances if a project proponent misses a deadline. These changes would improve administrative efficiency and incentivise broader participation.

Other improvements could include greater investment in government systems that underpin model-based methods (such as Australia's national land use model, FullCAM) and streamlined registration and compliance processes for small scale projects to enable broader participation.

Streaming of audit requirements would also create significant efficiencies. This could include enabling audits of processes to reduce transaction costs and enable smaller scale projects better access to the scheme.

4. Foster innovation and on-ground pilots by permitting early action

We recommend incentivising early action and piloting of methods under development by reintroducing the ability to submit a "notice of intent" to register a carbon project in the future. The current requirement for abatement to be "new and additional" at the time of registration is currently acting as a major disincentive for organisations to move early and test approaches for storing carbon in the landscape ahead of a legislated method. This is because they become ineligible to register a carbon project when the method becomes available in the future due to the lack of 'additionality' at that later time. During the start-up phase of the carbon farming framework project proponents were able to submit a notice of intent to conduct a carbon project, and this meant that they could take early action and remain eligible if and when the legislated method became available. Reintroducing a mechanism of this kind would stimulate innovation and also help ensure new methods were implementation ready. The risk of a method not being approved is solely born by the applicant submitting the notice of intent. In addition to carbon sequestration benefits that can be achieved, this would also encourage landowners to take early action to improve the environmental quality and agricultural productivity of their land, such as by reducing uncontrolled fires and improving soil nutrients and water holding capacity.



THE
PEW
CHARITABLE TRUSTS



Background on our organisations

Pew Charitable Trusts is a global not-for-profit organisation which carries out policy and advocacy work for public good. It works internationally on a range of progressive social, economic and environmental issues. In Australia Pew works in nature conservation- seeking greater protection and good management of Outback landscapes- which are one of the few vast natural landscapes remaining intact on Earth. In Outback landscapes we work closely with a range of pastoralists and Indigenous organisations. We co-led work to facilitate the introduction of carbon farming into the Western Australian pastoral zone in 2018. Our work in this sector is designed to support and increase carbon farming funding for Outback communities and we have no commercial engagement in carbon farming.

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[REDACTED] / [REDACTED]

Climate Friendly is a profit-for-purpose organisation with a vision is for a productive, sustainable land sector that contributes to a zero net emission Australia by 2050. We are working to achieve this by supporting rural, regional and remote Australians, including farmers, foresters and traditional custodians, to reduce Australia's greenhouse gas emissions and regenerate the landscape through carbon farming. With more than 100 carbon farming projects nationwide, we've already seen huge improvements in land health and have delivered over 10 million tonnes of carbon credits since 2015. We work closely and continuously with government, technical experts, academic researchers and advocacy partners to develop new types of carbon farming methods to further catalyse action and scale up our impact.

Contact: Skye Glenday, Executive Manager – Strategy & Analytics, Climate Friendly.
[REDACTED] / [REDACTED]

Pew and Climate Friendly are working together in an informal partnership to strengthen the foundations of carbon farming in Australia.