

Better carbon trading outcomes for farmers and government

May 2017: NRM organisations' support of the Australian Government's Emission Reductions Fund is helping to boost farmer engagement and profitability, generate co-benefits, and reduce the negative impact and risk of non-delivery of emission-reduction projects. We can do more.

Opportunities

- Increased farmer participation in carbon trading can be achieved with greater involvement of regional NRM organisations.
- This provides a path for reducing transaction costs, sharing risks across landholders, and can help farmers bundle small parcels of carbon credits that are more attractive for a buyer.
- NRM involvement will support good land management practices on farms that abate greenhouse gases, increase farm profitability and secure co-benefits that can deliver landscape scale change.

More than 80 per cent of Australia's emissions reductions contracted under the Emissions Reduction Fund (where the Australian Government purchases carbon credits) are coming from more than 245 projects in the land sector.

Farmers can offer more, benefit more – NRM organisations can help

The carbon market requires relatively large parcels of carbon credits so that the economic returns cover the risks, and the transaction and compliance costs. Many individual carbon projects may not be generating these volumes of credits therefore excluding many

farmers, despite them being willing to participate.

The need to manage risk and commercial return has meant that commercial project developers are not able or willing to work with landholders with much smaller project activities. This means that the opportunity of multiple farmers being rewarded for their small-scale land management, or set aside / diversification opportunities on their properties is not being realised.

Consequently, there is a role for a carbon aggregator to bundle small parcels of carbon credits to a marketable size or for a regional approach to



Carbon trading projects can deliver benefits to farmers at the same time as meeting government targets. Photo: djmapleferryman, <https://www.flickr.com/photos/63319497@N00/3154711843>.

support landholders to work together to develop projects of sufficient size.

The support of regional Natural Resource Management (NRM) organisations provides a pathway for reducing transaction costs and sharing risks across landholders. It may also be possible to use available funds to invest in projects to create carbon credits which can be sold to enable establishment of a revolving door funding model to invest in further activities.

Carbon co-benefits – avoiding the pitfalls

Many carbon projects deliver benefits additional to the greenhouse gas benefit. Many more could deliver a greater level of environmental, social and economic co-benefit. NRM regional organisations can help design projects to maximise the co-benefits and increase recognition of these benefits for financial gain.

Helping regions to support carbon projects with clear environmental and social co-benefits will help address potential negative outcomes and increase community support for the Emissions Reduction Fund. This will include working with commercial carbon project developers and will preserve the integrity of the reverse auction, but encourage projects that would not be viable on the economics of the Emissions Reduction Fund alone.

For example, many current Emission Reduction Fund projects avoid vegetation clearance or allow invasive native species to regenerate in western NSW and Queensland. In these regions, increased native vegetation may affect

grazing productivity outcomes and may negatively affect erosion and feral animal control. This can also affect neighbouring properties and may lead to complications, such as higher fire risks. Some projects may have negative productivity and environmental outcomes and may not be achieving real changes in emissions reductions.

Involving NRM organisations

Including regional NRM organisations in the delivery of the Emissions Reduction Fund will increase the involvement of smaller property owners and projects, while increasing the social acceptance / licence for Australia’s approach to emission reductions.



Get on board!

Interested in getting involved or want to find out more? Then please contact us.

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