

5th May 2017

Climate Change Policy Review -Discussion Paper Submissions
2017 Review Branch
Department of the Environment and Energy
GPO Box 787 Canberra ACT 2601
Climatechangereview@environment.gov.au

RE: NRM Regions Australia submission to the 'Review of Climate Change Policies' Discussion Paper.

Dear Sir/ Madam

Regional NRM organisations have been involved in the emerging carbon economy since prior to the creation of the Carbon Farming Initiative. The role of the land sector in providing substantial emissions reductions while increasing farm profitability, and the critical role that regional NRM organisations play in supporting and managing land management activities across the country, has long been recognised.

The 56 NRM regions across Australia have developed climate change and carbon economy ready strategic NRM plans and many have been centrally involved in regionally based or jurisdiction wide adaptation planning activities. The recognition of regional NRM plans in the legislation aims to influence carbon projects to ensure negative outcomes are avoided and to capitalise on the potential for co-benefits where possible. It is critical for this role to be enhanced if the full benefit of land sector programs is to be achieved.

The current arrangements do not fully recognise the enabling role that regional NRM bodies can play in the carbon economy. Regional NRM organisations are well placed to provide non-biased and trusted information, a support service to land managers, and to facilitate projects that enable participation by landholders and communities currently excluded from the market. 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 for Australia's approach to emission reductions. Helping regions to support carbon projects with clear environmental and social co-benefits will help address negative outcomes and increase community support. 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.

I would like to thank the Department for the opportunity to provide comment on the Issues Paper and I look forward to further discussion regarding the critical role of the land sector in addressing Australia's emissions reduction challenge.

Yours sincerely



Dr Kate Andrews

Consultation Questions.

This response is restricted to the land and agriculture section of the review and is predicated on a number of assumptions regarding Australia's climate change policies;

- That Australia has strong emissions reductions targets to meet its NDC under the Paris Agreement with the intention of achieving less than 2 degree's warming.
- That the safeguarding mechanism (or alternate approach) protects Australia's emission reductions and tighter baselines put real downward pressure on emissions and contributes to increased demand for Australian Carbon Credit Units.
- As a significantly trade exposed industry with considerable reliance on inputs, that agricultural and land sector emissions reductions continue to be incentivised and not included in steps to reduce emissions through regulatory and compliance approaches.

What are the opportunities and challenges of reducing emissions from the land and agriculture sectors? Are there any implications for policy?

The land sector currently provides over 80% of Australia's emissions reductions contracted under the ERF. While this is a substantial figure, the majority of the reductions are occurring through the use of the savanna burning method and a limited number of Vegetation methods in Western NSW and QLD. There are a large number of potential activities and land managers that are currently excluded from participation due to the cost and complexity of generating and selling ACCU's. There is a broad range of activities that are or could be undertaken that deliver a carbon benefit, but not at a scale that is currently economically viable based on the carbon value alone. In some cases, people will continue to deliver these activities regardless of the carbon value, and it may be possible to design a payment scheme that is not for the activity (due to additionality concerns) but does compensate for the administrative burden. In this way, Australia could gain the benefit of these activities.

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. Consequently, there is a role for a carbon aggregator to bundle small parcels of carbon credits to marketable size or for a regional approach to support landholders to work together to develop projects of sufficient size. This approach can be supported and delivered through regional NRM organisations.

The introduction of a mechanism to provide an introductory level of participation for landholders will support engagement and capacity to deliver credits in the future. Currently in Australia all emissions reductions are measured, monitored and reported to a high degree of surety. While this provides a high level of integrity for participants in the market and for reporting against international obligations, it substantially adds to the complexity and administrative burden for the scheme participants. Developing a mechanism that enables an incremental step into the carbon economy would lead to real GHG reductions in the atmosphere, increase participation and awareness, reduce the administrative cost and support a greater level of research for the development of new methods.

Policy uncertainty is proving to be a major barrier to participation in the emerging carbon economy. In areas where the financial need is greatest and the returns from carbon projects are significant, concerns

regarding policy uncertainty are overcome. Where the margins from carbon projects are less obvious, concerns regarding consistency in approach to GHG emissions reductions are impacting on the willingness of people to get involved.

The time and capacity of land managers to engage in discussions regarding the carbon economy is limited. Land managers are expected to be across an increasingly complex operating landscape and to meet this need they are more regularly seeking the input of specialist technical advice. This has occurred at a time where State and Federal government agencies have moved away from publicly funded extension services. There is a lack of suitably qualified and experienced independent non-biased advisers to assist landholders and often landholders are not yet aware that they need or could benefit from, the professional services of technical experts.

The provision of dedicated independent support mechanisms for landholders to engage in the carbon market is required. Currently, the knowledge and activity in the carbon economy is quite immature in a market sense. Many land manager participants and those considering participating, have a limited understanding of the science and administrative process required for participation. Instead they are relying totally on the advice of carbon project developers, whose drivers may not necessarily match the land managers needs or wants. Building the capacity and understanding of land managers to participate in the market in an informed way will increase participation and strengthen the reliability of the outcomes. This can be supported by government and delivered by groups such as regional NRM bodies or others, however it is critical that those providing support and advice are demonstrably independent.

Methods that encourage reduced inputs and a more sustainable systems approach to agriculture are needed. Current methods are issue specific and do not take into account the complexity of the natural systems nor the complexity of issues that land managers must take into account when planning and implementing activities. A 'Whole of Farm' method that enables small scale participation will assist in linking the outcomes of productivity, profitability and atmospheric GHG reductions.

Additionally, further research and development is required to develop a broader range of useable methods across the landscape. There is a need for a non-forest vegetation (Rangelands) method. The rangelands cover over 80% of the Australia's landmass and provide a substantial opportunity to reduce emissions through improved burning, vegetation and grazing management practices and continued development of an economically viable soil carbon methods is required. The revised method currently being developed will assist in some ways, but the cost of monitoring and verification will still prevent the widespread application of this method.

What can be done to realise further benefits from emissions reduction activities beyond carbon abatement?

Further incentives are required that take into account the non-carbon outcomes (beyond personal gain) that projects will deliver; the co-benefits that exist with many land sector projects. At its simplest, the Australian government could increase the requirements for the ACCU's it is willing to invest in, to highlight those that deliver across Australian Government policy outcomes. Additionally, the introduction of a 'Biodiversity Fund' style grants program that encourages participation of projects that would otherwise not be viable will increase participation and reduce emissions. This funding can be

delivered through the established and mature structures that exist nationally, with a high level of efficiency and low level of risk. Regional NRM planning is already in place that outlines the priorities for NRM and carbon economy projects and these can be prioritised in the delivery of the funding program. This would ideally evolve over time into a scheme that recognises multiple benefit credits for environmental or social services.

The development of a more refined approach to valuing co-benefits is also possible in the medium term. NRM Regions Australia and the Wentworth Group of Concerned Scientists have worked collaboratively to develop a more comprehensive and effective approach to environmental accounting in Australia (<http://nrmregionsaustralia.com.au/our-projects/regional-environmental-accounts/>). This has recently received support from the ministerial council. The adoption of the proposed 'Econd' as a measure of environmental condition would not only enable the improvements to our existing accounts but would potentially enable a broader approach to environmental markets that could clearly demonstrate (and therefore allow for a value to be placed on) co-benefits within carbon projects.

Recognition of the value of co-benefits generated by some projects will strengthen the economic case for undertaking emission reduction activities. A wide range of programs supported by Regional NRM bodies have positive carbon outcomes, however these benefits are rarely recognised through monitoring or reporting. It is recommended that regions are supported to enable measuring and reporting of emissions reduction benefits associated with NRM activities. Developing tools for rewarding landholders for the social or environmental service they provide has been the subject of considerable work in the NRM sector past. While the use of an issue specific credit (such as carbon, or water) is relatively easy to achieve, the development of a standard measure such as the 'Econd' enables the development of a broader market that recognises further environmental outcomes.

The current demand for credits is purely driven by the ERF reverse auction, however initial indications from the voluntary market demonstrate that some customers are willing to spend more for projects with demonstrable co-benefits. Introducing policy or support drivers for increased participation in the voluntary market and trading beyond the reverse auction will increase recognition of the co-benefits being generated.

Are there particular concerns or opportunities with respect to jobs, investment, trade competitiveness, households and regional Australia associated with policies to reduce emissions in the land and agriculture sectors?

There is the potential for conflict between the operation of national policy to reduce GHG emissions and state or regional responsibility in managing NRM outcomes. The current arrangements recognise jurisdiction based legislation, however they do not take into account the varied range of NRM issues that are dealt with at the policy level. While there are examples of conflicting operations (such as with some human induced regeneration projects in Western NSW) a broader approach to resolving overlapping impacts, is needed. Due to the complex and varied nature of NRM practices (with both positive and negative outcomes), a process / systems approach is needed that allows emerging issues to be dealt with as they develop.

Agriculture is an industry facing considerable financial challenges. The declining terms of trade, exposure to international markets and high exposure to the impacts of climate change, provide very challenging operating conditions and a correspondingly challenging policy environment. All Australian Government climate policies need to take into account the unique exposure that agriculture has to trade competitiveness and environmental drivers.

The social impacts of the emissions reduction activities in the land sector are not well understood. The increased revenue and economic activity has provided substantial benefits for some landholders and communities, with the carbon economy playing a significant role in enterprise profitability. Participation has provided a once in a lifetime opportunity for debt reduction, cash flow and investment in long term infrastructure. In some Indigenous communities, projects have created real employment activities and an income stream for land management, and personal and community development activities.

Some activity eligibility criteria have created the carbon 'haves' and 'have nots' and it is possible that this will increase social disharmony in the future. In some rural communities, the implementation of vegetation sequestration projects means that the impacts of uncontrolled wild fire will have substantially different impacts on neighbouring landholders. This may lead to increased conflict as the losses felt by landholders with above ground sequestration projects, far outstrip the losses of neighbours without projects.