26th April 2017

Submissions
Climate Change Authority
GPO Box 787
Canberra ACT 2600
Submissions@climatechangeauthority.gov.au

RE: NRM Regions Australia submission to the '*Action on the Land: Reducing Emissions, Conserving Natural Capital and Improving Farm Profitability'* Issues Paper.

Dear Sir/ Madam

Regional NRM organisations have been involved in Australia's 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. These planning mechanisms should continue to play a central role in maximising the multiple outcomes from carbon related projects and minimising negative NRM and social consequences.

In fact, the importance of the regional NRM plans is recognised in the legislation. The intent of this recognition is for the regional NRM plans to play a significant role in influencing 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 / licence for Australia's approach to emission reductions. Helping regions to support carbon projects with clear environmental and social co-benefits will address the negative outcomes and increase community support for the Emissions Reduction Fund. This will include working with the 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.

The land sector continues to provide the greatest contribution to Australia's emissions reduction activities, even with increased effort to develop methods and engage with participants across the full scope of the Australian economy. Yet despite this 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 Australian Carbon Credit Units. The recognition of the possibility and 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, 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.

The introduction of a mechanism that enables participants to generate a secondary carbon credit unit, to provide an introductory level of participation for landholders, will support landholder 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 incremental steps 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.

I would like to thank the Climate Change Authority for the opportunity to provide comment on the Issues Paper. This paper touches on many important and complex questions (some of which are too complex to be addressed in this response) that deserve further research to fully understand the impacts and interactions of the Australian Government's approach to encouraging emissions reductions. NRM Regions Australia looks forward to being further involved in developments with the Climate Change Authority to enhance the land sectors role in achieving Greenhouse Gas reductions.

Yours Sincerely


Kate Andrews

Executive Officer, NRM Regions Australia

0403 604 823

## Q.1. Are there particular land sector abatement activities, or data on land sector abatement costs, that the Authority should consider when conducting the research?

There is a complex range of activities that can reduce emissions or sequester carbon across the land sector. The concentration on vegetation condition and extent continues to be a priority for regional NRM bodies, however there is a significant need for a cost-effective soil carbon method. There is a large range of activities that can demonstrably deliver on farm profitability, an increased range of natural resource management and carbon outcomes and work is needed to effectively prioritise and provide the research needed to enable the development of suitable methods.

A number of 'Extension and Outreach' program funded projects have produced data or modelling regarding the economics of undertaking land sector based carbon projects. Additionally, the now finalised 'Biodiversity Fund' provided funding for a range of activities that indicated that they may generate carbon credits under the old CFI arrangements. An analysis of these previous projects may provide valuable information on the costs and rewards for undertaking a broader range of land sector carbon projects.

## Q.2. Do the four identified pressures adequately capture the major issues facing the agricultural sector that are relevant to the intersection of NRM, agriculture and climate policy?

There are three missing pressures currently facing the agricultural sector.

The first is purely economics and profitability. Although related to productivity, profitability is a separate issue and the current driver for many agricultural operations across the country is the need to improve their economic performance.

Secondly, 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, however, concerns regarding consistency in approach to GHG emissions reductions are impacting on the willingness of people to get involved.

Thirdly 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.

## Q.3. How can the government, non-government and private sectors address these challenges?

Delivery of information and support to increase the capacity of land managers to manage the economic returns of their enterprises, is needed. The development of lower cost approaches to implementing carbon projects and an increase in returns will also increase participation.

The provision of clear long term policy has been called for by businesses operating across the economy and the agricultural sector is no different in its need for security. This can be highlighted by the non-government and private sectors but can only be delivered by the government.

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, who's 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 capacity 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.

### Q.4. How could these challenges affect efforts to deliver emissions reductions, NRM and agricultural policy objectives in a coordinated way?

The complexity of the challenges results in landholders not participating in the development of carbon projects. Additionally, the Australian government is setting policy that has the potential to substantially impact on NRM issues that States and territories are responsible for managing. This creates the situation where conflicting regional, state and national policies and priorities increases the potential for negative NRM and agricultural productivity outcomes.

### Q.5. What has been the economic impact of emissions reduction policies like the ERF on the agricultural sector?

The impact is varied across the sector. In some areas where there has been a high level of project activity (such as savanna burning and vegetation projects in western NSW and Qld) there has been substantial positive economic impacts for participating land managers. However, while large in land area, it is a very small percentage for the agricultural enterprises across the country and for the clear majority of the agricultural sector the ERF has had little or no impact.

### Q.6. Are any additional incentives needed to encourage further emissions reductions in the agricultural sector?

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 though the use of a limited number of methods in Western NSW and QLD. 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.

Additionally, further incentive is required that takes into account the non-carbon outcomes (beyond personal gain) that projects will deliver. This will incentivise the co-benefits that exist with many land sector projects. In its simplest form this could take the form of the previous biodiversity fund, however it could also include a more refined approach to valuing co-benefits.

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.

## Q.7. What emissions reduction opportunities should the Authority consider that could enhance the interactions between climate mitigation, agriculture and NRM policies?

Methods that encouraged 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.

There would be substantial benefit gained from developing a bushfire prevention method incorporating aspects of the savanna burning method applicable to lower rainfall zones and across a variety of vegetation types. This will deliver a carbon benefit and assist preparation for and mitigation of the impacts of more extreme fire events a as result of climate change.

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.

Finally, 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.

## Q.8. What climate, agriculture and NRM policy interactions should be covered in the Authority's research?

Often, activities that deliver a potential carbon benefit will also deliver benefits that deliver against further Australian Government or State government policies or programs. Under current administrative arrangements it is the responsibility of the project proponent to try and coordinate across government agencies. Introducing a mechanism that recognises the delivery of multiple outcomes across multiple agencies would encourage the delivery of projects with broader outcomes and drivers than purely emissions reductions. This may include such as those designed to Close the Gap in Indigenous Disadvantage, weed and feral animal priority management, biodiversity outcomes, corridors and landscape connectedness, national Landcare Programme and agricultural competitiveness

## Q.9. How, and to what extent, do existing climate change mitigation policies affect the operation and outcomes from agricultural policies?

## Q.10. How, and to what extent, do existing climate change mitigation policies affect the operation and outcomes from NRM policies?

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.

## Q.11. How, and to what extent, do existing agricultural and land based emissions reduction policies affect social, economic and cultural outcomes, including for farmers and Indigenous people?

## Q.12. What role, if any, should strategic NRM planning play in helping to minimise non-carbon costs and enhance non-carbon benefits of agricultural carbon projects?

Regional NRM plans are currently recognised by legislation and each project application must contain a statement as to their consistency (or otherwise) with the regional plan. Although the statement is required, consistency with the plans is not and this unfortunately has no bearing on project approval. Consistency with the regional NRM plans and interaction with regional NRM organisations should be central in minimising the negative impacts of proposed GHG reduction projects. The planning process in every region across the country involves considerable scientific input and community engagement to determine the priority issues and actions for the region. No other framework is currently in place that covers the full range of NRM issues in conjunction with community aspirations for land management. Although there are difficulties in legislating the use of the huge variety of regional NRM plans across the country, it is possible to implement steps so that regional NRM bodies can play a more central role in project development and assessment.

## Q.13. If strategic NRM planning should be used for these purposes, whose responsibility should it be to prepare and implement the plans, and through what processes?

Regional NRM bodies are tasked with developing the regional NRM plans as they are the most suitable body to do so. The regional NRM organisation must include community aspirations in the planning process and regularly consults with industry bodies, government agencies, community groups RDA's, local government and individuals to ensure that the planning is the most effective and appropriate for the region. In many regions, this process effectively incorporates community desires for environmental management with the desire for economic development and support of social values. NRM regions and strategies link or align priorities vertically (national, State to local level) and horizontally (across tenures, land-types and land-uses). This targets investment and delivers outcomes from a paddock to regional to national scale; enabling the best return on investment and an impact that adds up over time and across the country. Regional NRM strategies prioritise actions and investment. It is critical that this strategic planning is carried out at a local or regional scale by organisations that are non-biased and in touch with community aspirations. NRM regional bodies are required by State and Commonwealth Governments to perform to a certain standard in their planning processes. For example, the Australian Government has a Performance Framework which is applied to NRM regions.

In some cases there have been difficulties incorporating the carbon economy in regional planning due to the policy uncertainty and the relatively new nature of the industry, however continued development and an adaptive planning cycle will ensure that plans evolve as the industry develops and community capacity to understand and engage in the carbon economy grows.

## Q.14. Is there scope to streamline, harmonise and better integrate existing environmental data collection and analysis systems that apply to the agricultural sector? If so, how might this be done?

## Q.15.What improvements (if any) could be made to existing environmental accounts and indicator systems to facilitate better integration of climate, agriculture and NRM policies?

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/ ). The adoption of the '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 placed

on) co-benefits within carbon projects.

Q.16.Should approval-linked offset schemes give explicit consideration to the emissions reductions or carbon storage implications of compensatory mitigation actions and, if so, how?

It may be possible and advantageous for the various offset schemes in operation across the country to also include the carbon storage implications, however this would only be appropriate if the increased emissions from the activity requiring offset, are similarly accounted for. For example, in SA the SEB program is based on a like for like replacement, improvement or protection of vegetation. This offset is to occur as close as practical to the site of clearance and upcoming changes to the regulation will impose further restrictions in terms of the offset being within the same sub-IBRA or IBRA region. In this way, the offsets are specifically tailored to offset the actual vegetation clearance. In a similar fashion, if a development activity was required to consider any increased emissions or reduced sequestration, then it would be appropriate that offset activities be designed and implemented to compensate for those emissions.

Q.17.Are there appropriate restrictions under the ERF to manage the non-climate related risks associated with carbon offset projects? If not, how could they be improved?

Current restrictions are not appropriate and only operate at a macro level and consider regional or local site nuances. In the past regional NRM organisations have found it difficult to have concerns with project impacts included in the negative list or recognised by the federal agencies responsible for delivery of the CFI and more lately the ERF. Under current mechanisms, the level of certainty regarding the GHG emissions reductions is the major factor in determining project approval or otherwise. This situation can be improved by having a more refined process for approving project developments that recognises the site-specific nature of impacts and benefits of some activities. This would bring carbon project developments in line with other forms of other land use change or building developments, by implementing a more rigorous assessment and approval process.

Q.18. Should government policies formally recognise the non-climate benefits associated with ERF projects undertaken by Indigenous communities and, if so, how should this be done?

Yes. However, while it is critical this occurs for projects undertaken by indigenous communities, it should not be limited to this sector of delivery agents. Government policy should recognise the non-climate benefits associated with the full range of activities, where they deliver against additional government policy priorities. This may include social, economic or environmental outcomes.

Q.19. Would the development of such approaches be better left to the private sector perhaps working in partnership with non-government organisations or Indigenous communities?

The current demand for credits is purely driven by the ERF and the Australian government has intentionally moved away from a market driven mechanism. Relying purely on markets and economics has failed in the past with dramatic consequences for some of Australia's most isolated and disadvantaged people. There is a clear role for government involvement through appropriate governance models that respect the challenges faced by remote communities.

Q.20. What approach, if any, should be adopted to assist carbon offset proponents to realise a monetary value for non-carbon benefits associated with their projects?

In the short term this can be done easily through the introduction of a 'Biodiversity Fund' style grants program that encourages participation of projects that would otherwise not be viable. This would ideally evolve over time into a scheme that recognises multiple benefit credits for

environmental or social services. Developing tools for rewarding landholders for the social or environmental service they provide has been the subject of considerable work in the 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.

Q.21. If a separate crediting approach is adopted, what integrity restrictions, if any, should be imposed on project eligibility to address additionality concerns?

Additionality is a complex concept that is difficult to design and implement at the broad scale. At the simplest level, if it is required by law, then it should not be additional. Financial additionality may also be a consideration but this approach does not recognise that there are many drivers or barriers to behaviour and management change, beyond financial.

Beyond simple legal additionality, what is standard or expected practice in one sector, region or enterprise will not be in another. To further complicate assessing true additionality, individual drivers that landholders face and respond to are also varied over time. Ultimately, additionality is derived from State and Australian Government priorities and what the public is willing to support. The current activities being delivered under the ERF are limited in scope and still the additionality of some activities is questioned.

Q.22. If a multiple benefits accreditation approach is adopted, what should be included within the scope of the accreditation process and what models of accreditation should be used?

Q.23. Should the accreditation of non-carbon benefits be led by government or left to the non-government sector?

Q.24. What should the role of government be in establishing markets for multiple benefits and how can an appropriate framework be developed?

Government involvement should occur where there is a clear market failure or where further stimulus is required to prompt non-government and commercial involvement. In the case of a 'multiple benefit' market there is a clear case for the involvement of government. It may be possible for a market to form where the people incurring the costs of an outcome are removed from those that are deriving or seeking the benefit. Those seeking the benefit will purchase the outcome from those undertaking the activity or incurring the costs. In the case of co-benefits this may not be the case because that benefit is being delivered to broader society and not to an individual or company that will purchase the outcome. In this case, government can purchase the outcome on behalf of society and we will all contribute through the payment of taxes and revenue raised.

Q.25. Should the government provide funding for multiple benefits? If yes, how should such funding deal with additionality issues?

The simplest and quickest way to recognise and deliver multiple outcomes is for government to provide funding for this through the establishment of a grants program. 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.

Additionality can be set aside as an issue if the program is designed to address the current and evolving priorities of government that are currently being funded through other means. For

example, there are clearly identified social and environmental benefits from carbon projects on indigenous owned lands. The government is currently funding a range of programs across portfolios to achieve the outcomes that are being achieved here. A funding program that incorporates the desired outcomes from across portfolios will deliver against a range of government priorities and additionality will be dealt with through the structures and criteria for funding that already exist.

### Q.26. To what extent are existing NRM grant programs designed to capture complementary carbon benefits?

NRM Regions Australia is not aware of any current programs are designed to capture complementary carbon benefits. We are aware that there has been some attempt in the past to achieve this through the Biodiversity fund, however it is not clear if any projects funded through the biodiversity fund have reported carbon benefits or if any assessment of the biodiversity fund projects has occurred.

### Q.27. Are there opportunities to improve the linkages between climate change mitigation policies and NRM grant programs?

There is substantial opportunity to improve linkages between the programs and increase the role of regional NRM bodies in enabling carbon projects. Program design could deliver direct funding for projects that deliver co-benefits while still allowing for the carbon benefit to be traded in the market.

### Q.28. Are any changes needed in state or territory fire management laws to help minimise fire-related risks associated with emissions reduction projects, or to promote the more effective use of fire to manage wildfire risks and improve NRM and climate outcomes?

The management of extreme events and wildfires will continue to challenge Australia's natural resource managers. It is likely that this will require ongoing change to ensure adaption and mitigation pathways continue to be identified and implemented. A critical consideration for establishing vegetation based sequestration projects must be the future climate and fire scenarios and project participants must be aware of the risks posed over the long term. There is a significant potential for large scale losses (financial and emissions) as fire profiles change across the country and people are no longer dealing with the historical fire frequency or intensity.

### Q.29. What role, if any, could soil conservation laws, policies and agencies play in promoting land management practices that increase the storage of carbon in soils?

Soil conservation laws and policies already exist and have had a long-term impact on improved soil management. The utilisation of legislation and punitive measures has been implemented with varied success across the country and there has been a reduction in agricultural extension by state agencies. Many regional NRM bodies continue to promote soil management activities, but for a land manager to adopt practice change a number of barriers need to be removed, not the least of which is short term cash flow versus perceived long term benefit. In some cases, the activities that have been identified and implemented as a result of these structures, are known to increase the levels of soil carbon. However, this may not occur in a quantity or timeframe that is then economically viable to measure monitor and report against to develop a carbon credit.

### Q.30. What barriers exist to uptake of soil conservation projects through the ERF?

The largest single barrier to people participating in soil erosion related projects and soil carbon

projects more broadly is the cost of participation and administration of the scheme. The cost of generating the credit outweighs the possible financial return to be generated from the sale of credits.

Q.31. Are there opportunities for improved linkages between climate change mitigation and pest and weed management policies to maximise climate and NRM outcomes?

This opportunity does exist and the generation of credits from animal management has been proposed in the past. This option has been specifically excluded from the current scheme, regardless of the potential benefits this could provide for both emissions reductions and land management. The relationship between weed, management policies and climate change mitigation is most strongly evident when the weedy species are Australian native species. The ERF treats all native species as positive plants in all situations and this creates the situation where perverse outcomes can arise.

Q.32. To what extent do publicly-funded agricultural R&D and extension programs focus on the reduction of emissions and the opportunities to simultaneously mitigate emissions and improve productivity?

Q.33. Are there opportunities to re-orientate publicly-funded agricultural R&D and extension programs towards reducing emissions from NRM and agriculture?

NRM regions Australia supports increasing the expenditure on agricultural R&D extension targeting reducing emissions, however this should not occur at the expense of other areas of investment. There is a need for increased R&D expenditure, not increased pressures on an already insufficient investment.