Independent Review of Australian Carbon Credit Units: NRM Regions Australia Submission

26 September 2022

Thank you for the opportunity to provide a submission to the independent review of Australian Carbon Credit Units (ACCUs). NRM Regions Australia is the national representative body of Australia's 54 regional natural resource management (NRM) organisations. Our members cover all of Australia and are major partners in the delivery of the Australian Government's National Landcare Program and active members of the Carbon Market Institute. Regional NRM organisations have a long history in supporting the foundation of, and increased participation in, carbon farming, and were key drivers of the inclusion in the CFI legislation of promoting consistency of carbon farming projects with regional NRM plans.

NRM Regions Australia has provided regular submissions to the Australian Government on how to improve integrity and supply in the carbon market, while also optimising outcomes. As the new Federal Government looks to increase Australia's climate change mitigation ambition, and leverage investment in carbon and other environmental service markets to improve environmental outcomes, this review is a timely opportunity to ensure the scheme is operating optimally.

NRM Regions Australia has a number of suggestions for improving the ACCU framework and delivery as described below. We would also welcome an opportunity to meet with the Independent Review Panel. Please contact NRM Regions Australia, CEO, Kate Andrews, kate@nrmregionsaustralia.com.au or 0403 604 823, if this can be arranged.

1. **Increasing oversight of consistency with regional NRM plans**

The CFI Act *Carbon Credits (Carbon Farming Initiative) Act 2011* (CFI Act) Part 3, Division 2, Section 23 (1)(ga)(ii) requires carbon farming project proponents to state whether proposed projects are consistent with regional NRM plans (if they exist).

The recognition of regional NRM plans in the current legislation aims to ensure negative outcomes of carbon projects are avoided and co-benefits maximised. However, there have been ongoing concerns expressed by regional NRM organisations that this requirement may be considered a 'tick box' exercise for project developers. Reports from both NRM organisations and carbon project developers suggest that consideration of regional NRM plans during project development varies widely; some regional NRM organisations with hundreds of projects underway in their regions note they have never been contacted by a project developer.

Past discussions with the Clean Energy Regulator (CER) have revealed that there is no audit/assessment process to determine if the claims made by carbon farming project proponents of consistency with regional NRM plans are justified/valid.

More needs to be done to ensure carbon farming project proponents are guided by regional NRM plans early in project feasibility assessment. This could be aided by future legislative changes, for example, requirements for information on NRM plan consideration in project application documents. In addition, a process and timeframe for reviews or audits of compliance with NRM plans should be articulated in legislation or subordinate regulations/rules. Ensuring ACCUs are high integrity and high quality, as well as do no harm in this context, is important in maintaining credibility and value of ACCUs and carbon projects.

Recommendation 1.1. That the CER develops an internal audit process for assessing consistency of carbon farming project proposals with regional NRM plans. Periodic public reporting of audit findings should also occur.

Recommendation 1.2. That the Australian Government provides appropriate resourcing to assist regional NRM organisations to assist/participate in informing the assessment of project consistency with regional NRM plans.

2. Increased transparency in data management

The concerns raised by various professionals and organisations about a number of methods through 2021-2022, and the following commentary by others, including responses by the Clean Energy Regulator, highlighted transparency issues in the collection, availability and use of data on carbon farming projects. For example, a response by CER on 25 March 2022 strongly suggested that critics did not have access to sufficient data on carbon estimation areas (CEAs) to support some of the criticisms of the Human Induced Regeneration (HIR) method, because "legislation prevents that data from being released".

NRM Regions Australia does not intend to comment on the veracity of claims made by critics of the HIR method, or on any responses made by government or others to these claims. However, it is clear from this process that greater transparency and access to data is needed to enable accountability, and in turn, confidence in the processes and requirements to deliver high integrity ACCUs. Data should be made available to suitable independent persons or bodies for this purpose.

The carbon farming methods under the CFI Act are extremely complex. This complexity alone means that the detail and integrity of the scheme is opaque to most people. Therefore, it is extremely important that transparency and availability of data is maximised to allow external specialists to scrutinise the scheme to develop and report their own views.

Recommendation 2.1. That the Australian Government makes necessary legislative and procedural reforms to allow de-identified CEAs within projects to be made available upon request (or to suitably qualified and independent persons or bodies) to maintain accountability and confidence in ACCUs generated under methods that use carbon estimation areas.

3. Adherence to additionality

As mentioned above, in 2021 and 2022 criticisms of the integrity and additionality of a number of methods under the CFI Act were made by prominent professionals and organisations and received widespread publicity in the media. One of the methods flagged as being of concern was the avoided deforestation method, which is employed in western NSW. This method allowed farmers to apply for ACCUs over land where a previous clearing approval had been granted by the NSW Local Land Services (formerly NSW Catchment Management Authorities, CMAs) for management of 'Invasive Native Scrub' (INS) during the period of 2005-2010. Under this method land managers would work with NSW CMA staff to develop a detailed Property Management Plan (PVP) to manage this form of

vegetation through clearing for a period of 15 years. This practise granted landholders flexibility to clear eligible portions of the land at a later date or dates. It is possible that, as contended by critics of the method, not all land that was permitted to be cleared under a PVP would have been cleared during the 15-year period. There is a wide variation in factors that might influence property managers' land clearing decisions, including farm finances, seasonal variability, market factors and other individual circumstances. Thus, the extent to which clearing would/would not have occurred in the absence of the avoided deforestation method is difficult to verify.

In addition, given the clearing permits were issued on the basis that the vegetation to be cleared was defined as 'Invasive Native Scrub', there is a question about whether this method is consistent with the relevant regional NRM plans. That is, vegetation that had been approved for clearing based on its 'invasive' nature at a regional level, and in accordance with a requirement that allowed clearing under a PVP that would 'maintain or improve environmental outcomes', was later incentivised for retention through the avoided deforestation carbon farming method at a national level. Noting comments above regarding the importance of consistency with regional NRM plans, it is important that there be some explanation for the reconciliation of these opposing positions. Further, this issue highlights the need to ensure that methods are consistent with (and in turn promote project consistency with) regional NRM plans, and do not lead to adverse economic, social or environmental outcomes.

Review of the content and operation of the scheme's offset integrity standards is needed to ensure the development of future methods under the CFI Act are subject to a higher standard of rigour in additionality and transparency of process. The scheme should require meaningful and ongoing engagement with regional NRM organisations in areas where certain methods operate to ensure those methods yield intended outcomes.

Finally, the first object of the CFI Act is to remove greenhouse gases from the atmosphere, and avoid emissions of greenhouse gases, in order to meet Australia's international obligations. Thus, consideration should be given to whether it is possible/necessary to determine whether a deduction of the many millions of ACCUs generated through this method should be made under Australia's greenhouse gas accounting framework. In addition, it is timely to consider the application of certain methods operating under the CFI Act given the development of similar rules and integrity principles for carbon trading under Article 6 of the Paris Agreement (including the treatment of approaches to avoided deforestation).

Recommendation 3.1 That the CER considers increasing transparency in the development of methods and delivery of ACCUs, including publishing information on how concerns raised during method development have been addressed.

Recommendation 3.2. That regional NRM organisations are formally supported to participate in method development and review.

Recommendation 3.3. That safeguards be introduced to ensure that methods developed under the CFI Act are consistent with relevant national, state and regional planning and frameworks for the management of invasive exotic and native vegetation.

Recommendation 3.4. That there are ongoing assessments of methods through time to ensure that allowable activities are still additional, and have not converted/are not likely to convert to 'business as usual' in the foreseeable future.

4. **Obligation to consider climate impacts on ACCU yield and risks of project reversal over time**

The FullCAM model is based on a back-ward looking climate forecasting model. That is, over time, the recent historical meteorological data is incorporated, to align projections with the current climate, but not forward looking to align projects with the most up to date climate change projections over the next 25-100 years. As a tool based on FullCAM, LOOC-C, which is generally used under the Streamlined Environmental Plantings method to predict carbon yield, also lacks predictive modelling based on the likely future climate change scenarios.

In addition, one of the criticisms of the HIR method is that regeneration of vegetation in the more arid areas of Australia is much more dependent on rainfall than grazing management. Again, while we do not wish to comment explicitly on the veracity of this claim, it is likely that over time more marginal agricultural land in central Australia will become increasingly dry, making periodic loss of vegetation cover even more likely.

To protect against the risk of project reversal in the changing climate, it is critical that better modelling is developed to incorporate best available projections of the impacts of climate change on both the applicability of methods in certain geographic regions, as well as individual projects. This would include consideration of:

- impacts of increased temperatures on soil and vegetation respiration rates, carbon sequestration, and vegetation persistence;
- likelihood of increased incidences of extreme weather events, including prolonged drought, heat waves, bushfire, and flooding on all carbon farming projects.

It is acknowledged that the scheme applies a 5% risk of reversal buffer to certain projects, but better modelling is needed to assess the appropriateness of these risk buffers.

In addition, all project proponents should have to demonstrate how climate change is likely to impact on projects, including:

- a risk management plan to minimise impacts for severe climatic events
- for soil and vegetation projects, a statement on how climate change has been considered (where applicable) in selection of plant species where plantings are a method activity.

Guidance should be issued to ensure such information is provided to landholders and eligible interest holders to assist their decision making.

Recommendation 4.1. Modelling tools (i.e., FullCAM, LOOC-C and emerging tools) be updated to incorporate climate projections when predicting carbon sequestration/avoided emissions into the future.

Recommendation 4.2. That project proponents be required to demonstrate how climate change risks have been considered in their carbon farming projects and be required to provide this information to eligible interest holders (if different).

5. **Increased resourcing for regional NRM organisations to support integrity and co-benefits from carbon farming**

Regional NRM organisations have a long history in, and experience with, carbon farming. In their roles as both trusted, local, independent advisors, and regionally based strategic planners, regional NRM organisations have contributed to both legislation and method development and on-ground

project delivery. This includes recent involvement in the Australian Government's Carbon plus Biodiversity pilot.

However, the ability of regional NRM organisations to continue to play this important role is hampered by piecemeal allocation of short-term funding for staff and projects, and inadequate investment in geospatial data to inform optimal location of carbon farming projects for ACCU yield and other purposes.

Recommendation 5.1 Investment is provided to employ a network of dedicated carbon farming extension officers to:

- increase participation in carbon farming
- optimise project co-benefits, such as biodiversity, water quality and social and cultural outcomes
- support alignment of carbon farming projects with regional NRM plans
- support reviews and development of methods under the scheme to ensure continuous improvement and integrity.

Recommendation 5.2 Deliver a strategic abatement dataset and/or geospatial mapping layer, where not already available, to all regional NRM organisations to identify:

- abatement hotspots
- co-benefit opportunities
- potential productivity and environmental outcomes at a landscape scale
- applicability/availability of methods
- risks of perverse or negative outcomes, including areas at risk of project reversal due to climate change projections
- alignment of carbon farming projects with regional NRM plans.

Thank you again for the opportunity to provide a submission on the ACCU review.

For further information please contact NRM Regions Australia CEO Dr Kate Andrews: 0403 604 823.