



## NRM Regions Australia Submission on the Safeguard Mechanism Reform

Thank you for the opportunity to provide a submission to the Department of Climate Change, Energy, the Environment and Water's proposed reform of the Safeguard Mechanism. NRM Regions Australia also participated in the information session on the Safeguard Mechanism Reform on 31 August. This reform offers a valuable opportunity to increase emissions reduction in line with Australia's current emissions reduction target of 43% and also to scale up emissions reduction ambition in line with Australia's commitment to the 2016 Paris Agreement.

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. We are also members of the Carbon Market Institute. NRM Regions Australia has regularly provided submissions to Government with regards to increasing integrity, supply and potential for generation of co-benefits through the carbon market.

### **Regional NRM organisations and carbon farming**

Regional NRM organisations have a long history in carbon farming, with the importance of regional NRM planning reflected in the legislation, whereby *Carbon Credits (Carbon Farming Initiative) Act 2011* 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. Since the development of the carbon farming legislation and associated methods, regional NRM organisations have played an important role as independent, valued advisors and knowledge brokers that have supported the development of carbon farming projects that deliver multiple benefits to regional communities and environments across regional Australia. Thus, our comments on the reform of the Safeguard Mechanism relate mainly to possible impacts of the reform on the generation of ACCU's through carbon farming activities.

Carbon farming projects have ongoing potential to contribute to investment in natural resource management that drives biodiversity conservation and enhancement, on-farm resilience and sustainability, cultural and financial benefits for First Nations peoples, and other individual and regional social and economic benefits that would not occur in the absence of that investment. In acknowledgement of the associated benefits that can arise from well-planned and delivered carbon farming activities, Minister for the Environment and Water, Tanya Plibersek, noted in her recent State of the Environment address that carbon farming and other environmental stewardship market investments would be required to help meet the \$1 billion a year challenge of protecting and restoring Australian ecosystems.

Commonly called co-benefits, the additional benefits that arise from many ACCU generating methods, including environmental plantings, soil carbon and savannah burning, will not accrue under the proposed Safeguard Mechanism Credits (SMCs). While the increased emissions reductions required under the Safeguard Mechanism Reforms have the potential to drive additional investment in carbon farming, the development of a new crediting stream via SMCs has the potential to limit expansion of the carbon market.

A drop in the ACCU spot price was observed earlier this year in response to the decision of the previous Federal Government to provide an option for project owners to voluntarily exit existing government contracts. The Carbon Market Institute (2022) estimates that up to 126 million new ACCUs may become available through to 2030 if project owners exit their existing contracts under the Emissions Reduction Fund. These ACCUs represent the equivalent of nearly three-quarters of the abatement required to meet the Government target of 43% reduction on 2005 emissions by 2030. The introduction of SMCs has the potential to introduce competition in the offsets market and an additional shock to the carbon market- leading to further decreases in ACCU price and demand.

NRM Regions Australia would welcome the provision of any available information on how the possible impacts of development of SMCs has been considered in terms of the demand for ACCUs. This information may include modelling on supply and demand for carbon offsets in the near and longer term.

NRM Regions Australia would also welcome the introduction of provisions to the Safeguard Mechanism to ensure oversupply of SMCs does not occur, and that possible impacts to investment in ACCUs are minimised.

### **Climate change and regional NRM organisations**

In considering the Safeguard Mechanism Reform, it is also important to consider the necessity for that reform - namely the need to rapidly and globally decrease carbon emissions to avoid the impacts of catastrophic climate change. Over the last few years regional NRM organisations across Australia have witnessed the destruction of natural environments and extreme adverse impacts on regional communities brought about by climate change related extreme weather events, including severe drought, and catastrophic bushfires and floods. The core business of regional NRM organisations is to support management of natural resources to deliver social, economic, cultural and environmental benefits to regional communities - all of which are put at higher risk in the rapidly warming climate.

The most recent IPCC report indicates that deeper and earlier cuts in emissions to 2030 are required if global temperature increases are to be limited to the agreed 1.5 degrees warming nominated under the Paris Agreement. NRM Regions Australia would welcome and support amendments that would expand the ambition and scope of the Safeguard Mechanism to drive a rapid reduction in emissions this decade.

Thank you again for the opportunity to provide a submission on the proposed Safeguard Mechanism Reform.

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