

Carbon Farming Considerations

Trees remove carbon dioxide from the atmosphere and the carbon stored in its biomass can be sold to the government under the Direct Action Plan using the CFI standard. There are a number of rules that apply to generating Australian Carbon Credit Units (ACCUs) from planting trees. These are further set out below.

Starting Point

If you want to start a plantings project you will need to make sure, you can answer “yes” to the following threshold questions:

- In case of existing plantings, was your project established after 1 July 2007
- Will you ensure that no one harvest the planting (other than for thinning, fire management or indigenous practices)
- Is the area of land outside of an urban centre
- Does the area of land receive less than 600 mm rainfall? If no, do any of the following apply:
 - Is the planting of native species
 - Does the planting contribute to mitigation of dryland salinity
 - Is the planting in a region in which commitments under the national water initiative have been met, or
 - Do you hold suitable water access entitlements?
- Are you starting the project voluntarily
- Can you confirm that no one has cleared native forest on the land in the past seven years and you do not have to clear any native forest to start the project
- Can you confirm that you are not planting weed species
- Will you establish the project on privately owned land
- Do you hold the carbon sequestration rights
- Are you a recognised offset entity

In addition, your project will still need to satisfy the requirements of an applicable methodology determination and in order to be a Kyoto offset project the land on which the trees will be planted was cleared of vegetation before 31 December 1998 and cover an area of at least 0,05 hectares. In order to receive ACCUs, you need to receive a “declaration of eligible offset project” from the Regulator.

Two items we would like to highlight is the permanence requirement and risk of reversal buffer.

You should be aware that in applying for a project declaration for a plantings project you are agreeing to ensure that the carbon dioxide which is taken out of the atmosphere is stored permanently and not re-released back to the atmosphere. Under CFI regulations, carbon sequestration is regarded as permanently stored if it is maintained for 100 years. If the carbon stored is not maintained for 100 years, you may be required to revegetate / regenerate the plantings or pay back the ACCUs received for the project by the Regulator.

Under the Direct Action Plan, you will have the option to maintain the carbon stored for 25 years. If opted for, the government will discount the volume of ACCUs from your plantings project with 20% this to meet international requirements under the Kyoto Protocol.

The risk of reversal buffer is a concept under the CFI legislation which in effect acts as an insurance policy for the CFI. It is designed to cover losses of carbon stored where those losses are beyond your control. For example, losses could result from natural disturbance such as fire, drought or pest attack.

The buffer is set by withholding 5% of the ACCUs generated by a project. For example, if your project is eligible to generate 20,000 ACCUs, you will be issued 19,000 ACCUs.

The Direct Action Plan continues with the concept of the risk of reversal buffer. For example, if you opt for a 25 years permanence obligation and your project is eligible to generate 20,000 ACCUs, you will be issued 15,000 ACCUs.

These and other points are further detailed below.

Summary of key eligibility requirements

Your project must be carried out in Australia
Your project must pass the additionality test
Your project must not be on the negative list
You must have the legal rights to carry out the project
Your project must meet the requirements of a methodology determination
You must be a recognized offset entity
You must obtain a project declaration from the Regulator

1. Your project must pass the additionality test

A project is deemed to pass the additionality test if it is (i) a project listed on the “positive list” and (ii) not required to be carried out by law

Positive lists sequestration projects as of date of publication	
1	Plantings
	- permanent plantings (not for harvest)
	- transitioning forestry projects under greenhouse friendly
	- small-scale farm forestry plantations
	- new long-rotation hardwood plantations (for harvest)
2	Assisted regeneration / restoration
	- human induced regeneration of native vegetation
	- restoration of wetlands
3	Soil Carbon

	- application of biochar to soil
4	Forest protection
	- Protection of forest from clearing or harvest

2. Your project must not be on the negative list

a project is on the negative list if it poses risks for (i) the availability of water, (ii) the conservation of biodiversity, (iii) employment, (iv) the local community, or (v) land access or agricultural production

Negative list sequestration projects as of date of publication	
1	Mandatory plantings
2	Plantings of species in an area where it is a known weed species
3	Establishment of a forest as part of a MIS
4	Cessation or avoidance of harvest of a plantation forest
5	Establishment of vegetation of land subject to clearing of native forest or draining of a wetland: <ul style="list-style-type: none"> - within 7 years of applying for a project declaration - within 5 years of applying for a forest declaration, if there has been a change in land ownership since the clearing - under any circumstances, where the clearing of native forest or draining of wetland is illegal
6	The protection of native forest where consent for clearing or harvest has been granted for the benefit of the environment or for fire management purposes
7	Planting trees in an area that, according to the CFI rainfall map, receives more than 600mm long term average rainfall, unless <ul style="list-style-type: none"> - the project is permanent planting that is also an environmental planting - the project proponent demonstrates that the planting contributes to the mitigation of dryland salinity - the project meets commitments under the national water initiative or the project proponent holds suitable water access entitlements

3. You must have the legal rights to carry out the project

If you are carrying out a carbon sequestration project, you must demonstrate that you hold the applicable carbon sequestration right. Generally, on privately owned land, the applicable carbon sequestration right is held by the landowner, unless a separate carbon sequestration right has been sold or transferred to someone else and registered on title on state law.

4. Your project must meet the requirements of a methodology determination

A critical step in assessing whether you can participate in the CFI is to work out whether your proposed project is consistent with the requirements of a methodology determination. If your project does not comply with the requirements of the applicable methodology determination, your project may not be eligible to generate ACCUs.

<http://www.cleanenergyregulator.gov.au/Carbon-Farming-Initiative/methodology-determinations/Pages/default.aspx>

5. You must be a recognised offset entity

In order to obtain approval for a project and receive ACCUs from the Regulator, you must be a recognised offset entity and have opened a registry account. This involves submitting the relevant application form and supporting information to the Regulator.

The Regulator will only recognize you as a recognised offset entity if it is satisfied you are:

- A fit and proper person, and
- Not an insolvent under administration

6. You must obtain a project declaration from the regulator

You must apply to the Regulator to have your project declared an “eligible offsets project” before you can receive ACCUs. This is the step where the Regulator approves your project