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Submissions
Climate Change Authority
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Canberra ACT 2600

Via email: submissions@climatechangeauthority.gov.au

Submission to the Climate Change Authority on the Review of the Carbon Farming Initiative (CFI) and Emissions Reduction Fund (ERF)

ConocoPhillips Australia ('COP') has a significant and longstanding role within Australia's land based carbon offset industry. As operator of Darwin LNG ('DLNG'), since 2006 COP's support for the West Arnhem Land Fire Abatement Project (WALFA) was a key catalyst for the savannah burning industry, which now forms a key plank of Australia's emission reduction efforts.

We are proud of WALFA's success and legacy, both in achieving substantial greenhouse gas emissions abatement and its wider cultural, socio-economic and environmental benefits.

ConocoPhillips welcomes the opportunity to comment on the review. As a prominent private sector funder of the offsets industry, we note the authority's objective in ensuring the ERF's operation facilitates future investment, and to this end provide the following submission with a specific focus that relates to Savannah Burning activities.

Overview

Headquartered in Houston, Texas, COP is the world's largest independent exploration and production company based on proved reserves and production of liquids and natural gas.

In Australia, COP is the largest joint venture owner and operator of the Bayu-Undan gas condensate field and world-class Darwin Liquefied Natural Gas ("Darwin LNG") project.

COP is also joint venture partner and downstream operator of the Australia Pacific LNG project in Gladstone ('APLNG'), in addition to interests in other exploration and development projects located offshore Northern Territory and Western Australia.

In 2006, COP (on behalf of Darwin LNG) entered into a long-term agreement to provide operational funding to five ranger groups in Western Arnhem Land to deliver strategic fire management. At that time, under the newly developed 'Savannah Burning Methodology', the land management would generate abatement to offset a percentage of greenhouse gas emissions from the new LNG plant as stipulated under a condition of its environmental protection license which was subsequently removed in 2012.

The WALFA project has generated over 2 million tonnes of abatement and remains one of the largest offset projects in Australia and has been emulated by more than 50 other Savannah-Burning projects. These are primarily supported by ERF contracts and to our knowledge WALFA remains the only Savannah-burning project funded by large, long-term private investment.

General Comment on the Operation of the ERF

Our experience with WALFA is that Savannah Burning offset projects have enormous positive environmental, cultural and economic benefits. As such, from a sustainable development perspective, the ERF's role in supporting an expansion of these projects is to be applauded.

Secondly it has underwritten the growth of a domestic offsets market which will be critical to industry in a carbon constrained future and an important contribution to the Government's emissions reduction targets.

Response to Relevant Consultation Questions

Q.1. Is the coverage of methods sufficient or should other emissions reduction opportunities that are consistent with the offsets integrity standards be included?

Applying existing methodologies, WALFA has generated a substantial pool of offsets. In this area, significant further opportunities for emissions reduction exist which are currently not covered by approved methodologies. We strongly encourage the development of other methodologies, including the Sequestration methodology currently out for public consultation.

Q.2. Are the existing methods fit for purpose, including with respect to the offsets integrity standards?

The Savannah Burning Methodology has undergone a number of updates since it was first approved and is fit for purpose.

Q.3. Would emissions reductions from some ERF offset projects be delivered more efficiently through regulation or some other policy?

Our experience with funding of Savannah Burning projects is that the activity is very resource intensive, and as a result funds derived from the sale of Australian Carbon Credit Units (ACCUs) are critical to provide resources in support of the activity. Alternative, timely sources of funding, would be needed if projects were delivered through regulation or some other policy.

Q.7. Is the ERF delivering additional abatement?

In the case of the Savannah Burning methodology, the prescribed burning that occurs within a project area is an additional management activity that is applied to the landscape and to delivering additional abatement. Whilst it has other benefits, the resources required to undertake it means that it would not occur in the absence of a registered fire project funded by private sector or the ERF.

Q.8. Could the additionality requirements be improved?

Yes, emissions avoidance from savanna burning is recognised as an ongoing annual abatement. As soon as the activity ceases, a project will revert to its baseline conditions and emissions. However, it is subject to a 25-year crediting period. The duration of the crediting period should be flexible to reflect the fact that the abatement opportunity is ongoing and does not stop at 25 years, provided there is a source of ongoing funding/ resourcing.

Q.11. Are the ERF permanence arrangements fit for purpose? If not, how could they be improved?
Q.12. Do 25 year and 100-year permanence timeframes raise particular issues?

As mentioned above, new savanna-burning methodologies provide significant opportunity for offsets. A key barrier to unlocking investment to realise these opportunities relates to permanence periods, currently set at 100 or 25 years. It is our understanding that for proponents on Aboriginal land, the former period is unrealistic, and the latter restricts their ability to maximise their carbon storage commitments. This in turn restricts the emission opportunities and the level of commercial certainty available to parties considering entering into a contract with the proponents.

The ability to commit to a series of consecutive permanence periods, with appropriate sequestration buffers would address this issue. Additionally, due to the resources required, it is critical that the crediting periods and permanence periods match, thereby acting to deliver the lowest risk to the Government in terms of the long-term maintenance of the activity and storage of carbon.

Q.13. Is the discount rate set appropriately for the 25-year permanence period and the risk of reversal buffer?

Given the lack of optionality for a permanence period for sequestration projects on Aboriginal Land as described above, the methodology may overstate the risk of reversal to carbon storage. For example, a proponent signing up for a 25-year permanence period for a project on Aboriginal Land does not mean that the participant expects the project activity to finish in year 26. It simply reflects that the proponent is constrained by the 25-year permanence period.

Conclusion

The ERF has been successful in expanding the Savannah Burning offsets industry, and in doing so building a dynamic domestic offsets market. The remarkable environmental, social and cultural benefits of this role should be acknowledged.

Significant future opportunities for growth and consolidation of this market exist, if government can remain attentive and proactive in regulating to support additional emission opportunities and facilitating private sector investment.

Yours sincerely



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