

SUBMISSION TO THE REVIEW OF THE CARBON FARMING INITIATIVE LEGISLATION AND THE EMISSIONS REDUCTION FUND

This submission is made on behalf of the Southern Atherton Tablelands Revegetation Alliance (SATRA), whose members are actively involved in planning/implementing/supporting community-based landscape restoration on the Southern Atherton Tablelands of Far North Queensland.

SATRA acts as a forum for the revegetation community to share information & experience, collaborate on projects and discuss opportunities. The full list of members is at Appendix 1.

Broadly, SATRA membership comprises community landcare/tree planting/wildlife groups, state and local government (including revegetation nurseries), regional NRM, and local revegetation contractors.

Community groups and private landholders on the Southern Atherton Tablelands combine to plant in the order of 30,000 seedlings per year to reforest approximately 10 hectares of disused pasture, marginal farmland etc. The majority of the revegetation undertaken is primarily for biodiversity purposes, although it also delivers other outcomes such as water quality and of course carbon sequestration.

The Wet Tropics Management Authority, in its “State of Wet Tropics Report 2015-2016. *Ancient, Endemic, Rare and Threatened Vertebrates of the Wet Tropics*” (SWTR) identifies climate change as “the most significant future threat to the region”, viz:

It seems almost certain that the most significant future threat to the region is climate change. This threat is exacerbated by reduced resilience caused by habitat fragmentation, emerging diseases, changing fire regimes, increasing human population pressures and invasive pests. There is a very real potential for significant biodiversity loss, especially of the high conservation value species that the region was originally protected to preserve.

The Southern Atherton Tablelands is identified in the report as a priority area for restoration (see Appendix 2).

An important role for the Regional Natural Resource Management Plan (Wet Tropics Plan for People and Country, Terrain NRM) is to help direct any investment for carbon storage and sequestration to the region and ensure it provides the greatest benefit to our environment and community. Significant research conducted by Reside et al underpins the Plan. One of the very useful conclusions from this research is that prioritising areas for habitat restoration based on their importance for biodiversity will also have substantial benefits for carbon sequestration, while the same does not hold for the reverse (Reside et al 2017: Trade-offs in carbon storage and biodiversity conservation under climate change reveal risk to endemic species). See Map at Appendix 3.

Key Points of this Submission: In its current form the Carbon Farming Initiative discourages the participation of proponents of small-scale projects. The main barriers are

- The degree of complexity in the methodologies and related guidelines (eg CFI Mapping) and FullCAM; and
- The high cost of project audits, which disproportionately affects small-scale projects.

Every year the local community plants trees and receives no financial benefit from the carbon sequestered. Similarly, the Commonwealth misses out on adding that sequestration to the nation’s accounts.

Trees for the Evelyn and Atherton Tablelands (TREAT Inc.), a SATRA member, is currently undertaking a pilot project assessing the cost-effectiveness of community groups participating in the carbon market as a means to generate income to support ongoing revegetation work. Unfortunately this project has not been completed in time for the review; this submission is based largely on our learnings to date.

David Hudson
On behalf of SATRA
0428 742308
davidhudsonau@gmail.com

Responses

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

No comment

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

Combining environmental and mallee plantings in a single methodology makes for a very cumbersome set of rules. We are currently attempting to edit it down to cover only the sections relevant to our activities.

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

No Comment

Q.4. Is the process for method development and ERAC assessment efficient and transparent?

No Comment

Q.5. Why do some methods have low uptake?

In the vegetation sector most projects fall under 'regrowth of vegetation by removing stock or fencing off land, or from preventing land clearing', which typically have low direct implementation costs.

To date there has been very little participation in the ERF on the Atherton Tablelands. There are currently 5 approved projects, of which 2 have been issued with ACCU's and just 1 which has successfully participated in an auction.

Planting projects might have a greater uptake if there were far better returns on investment than what is currently on offer from the auctions.

Q.6. Should methods with very few or no registered projects be subject to less frequent reviews?

No comment

Q.7. Is the ERF delivering additional abatement?

No comment

Q.8. Could the additionality requirements be improved?

No comment

Q.9. Do any methods or projects raise particular additionality concerns?

No comment

Q.10. Are current emissions estimation approaches and tools fit for purpose? If not how can they be improved?

Using FullCAM requires a high degree of technical competence, which is a deterrent to potential proponents of smaller projects. The CFI is almost biased towards the big operators who can afford to invest in that technical capacity, which of course they keep to themselves. As part of our feasibility study we currently have a highly experienced forestry professional looking at FullCAM, and he is having some difficulty coming to grips with its intricacies.

The local community has a very strong perception that the *Reforestation by Environmental or Mallee Plantings – FullCAM (REMP-F)* significantly underestimates the amount of carbon sequestered by our plantings. The legislation defines 'forest' as

land of a minimum area of 0.2 of a hectare on which trees:

- (a) *have attained, or have the potential to attain, a crown cover of at least 20% across the area of land;*
and
(b) *have reached, or have the potential to reach, a height of at least 2 metres.*

The methodology states in relation to default values that after 5 years from the planting date “*stocking density is taken to be less than 500 stems per hectare*”.

The ‘best practice’ biodiversity planting method typically used by SATRA members involves planting at densities of up to 3,500 seedlings/ha, and these plantings achieve 80% crown cover and 2-3 metres height after just 3 years.

We’ve been asked why we don’t just reduce our planting density in line with the methodology and hence reduce costs. The answer is that the community, with great support from agencies and professional researchers, has spent many years developing the best practice methods used. Reducing planting densities would only provide a marginal saving – seedling expenditure is reduced but preparation and maintenance costs are largely unaffected or even increase, and come at the cost of delaying site capture and habitat development.

Our forestry professional is helping us to understand that our concerns may be somewhat misplaced, although we have not yet reached the stage that we can have confidence in the modelling.

However, the paper “Comparing above-ground biomass among forest types in the Wet Tropics: Small stems and plantation types matter in carbon accounting” (Preece et al. 2011), reports that FullCAM underestimates the amount of carbon sequestered by a considerable amount (approx. 40%) and that adjustments need to be made viz

“Our study demonstrates the inadequacy of current methods for estimating carbon stocks in rainforest and environmental plantings in north-eastern Queensland. Current estimates clearly deprive landholders of financial incentives and underestimate the national greenhouse gas benefits of tree planting in the wet tropics. A tailored biomass allometric and the re-parameterisation of FullCAM are needed. Until then, we recommend the Chave et al.

Q.11. Are the ERF permanence arrangements fit for purpose? If not, how could they be improved?

No comment

Q.12. Do 25 year and 100 year permanence timeframes raise particular issues?

No comment

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

No comment

Q.14. Is there sufficient information available to inform land purchasers about permanence obligations?

No comment

Q.15. Is aggregation working effectively under the ERF? If not how can any issues be addressed?

It might be for large projects, but the big carbon service providers who have looked at our projects have deemed them too small and costly. If they can’t make a profit they’re not interested. Our feasibility study is considering options for creating a local volunteer run not-for-profit company which could act as an aggregating entity.

Q.16. Is concentration in the market an issue and how can it be managed?

No comment

Q.17. Should contracts between carbon service providers or aggregators and other participants be made available to the Clean Energy Regulator?

No comment

Q.18. Are there any barriers to entry for new carbon service providers?

No comment

Q.19. What are the barriers to Indigenous participation in the ERF and how can they be addressed?

No comment

Q.20. Are the eligible interest holder arrangements working effectively? If not, how could they be improved?

No comment

Q.21. Are the ERF arrangements to prevent adverse outcomes from ERF projects sufficient? If not, how could they be improved?

No comment

Q.22. Is the guidance provided for participation in the ERF user friendly and easy to understand?

No! The CER website is very cumbersome to navigate. It's difficult to follow the process without having to constantly link out to other areas. The problem we have is that it is largely framed around participation in the auctions. We are only interested in registering projects and acquiring ACCUs which we can (hopefully) sell in the secondary market for a more realistic price. It would be so much easier to follow if there was separate guidance provided.

Q.23. Are there administrative barriers that are preventing participation in the ERF?

As above, the complexity of the process; it's so hard to sort out just what's relevant. You think you're starting to get a handle on it, and then you discover something else buried somewhere else that affects your understanding.

Q.24. Could the process for project registration and variation be improved?

A separate registration process for proponents who don't wish to participate in auctions.

Q.25. Do scheme participants feel that enquiries about project registration or other administrative matters are dealt with efficiently?

There have been a couple of times when we've sort clarification and been simply directed back to the relevant section of the website/methodology which prompted our enquiry in the first place, which was no help.

During assessment of our project I received a request for further information as follows

Further information is required before an assessment of your application can be completed, a more detailed project description needs to be provided to align with the [Reforestation by Environmental or Mallee Plantings methodology](#) under which your project is to be assessed. The project description you have provided is not sufficient to assess the project application.

It took multiple phone calls speaking to various members of staff trying to find out what information was missing before receiving the response that

The CER has reassessed the information provided within the project description, and no further information is required. Please disregard this request, and apologies for any inconvenience caused.

Having said all that, we have now been able to establish a more constructive relationship with senior staff who are far more helpful and understanding.

Q.26. Is CER decision making consistent, transparent and timely?

Timeliness has been an issue – 3 months to get our pilot project approved. Like most government departments they are probably under-resourced.

Q.27. Are the ERF crediting arrangements fit for purpose? If not, how could they be improved?

No comment

Q.28. Are the ERF reporting and auditing arrangements and guidance fit for purpose? If not, how could they be improved?

Project auditing costs are the single greatest impediment to the participation of small-scale projects. While we have not yet been through the auditing process we have held preliminary discussions with a registered auditor and been quoted \$8-10,000 for the initial audit of our pilot project. I personally have a tiny registered project on my own property and it cost me \$8,000 to have it audited 2 years ago. My intention at the time was to use it as a learning exercise for my community but its value proved limited for a range of reasons (old methodology and model). When I was first registering my project I raised this cost with the CER and was told that their expectation was that the audit should cost around \$500. The auditor's response was that the CER didn't know what they were talking about! After my audit I was told that the second would only be marginally less costly.

We have not yet been able to ascertain the likely costs for the 2nd and 3rd audits of our feasibility study, so we are unable to complete a whole of life costing for the project. Conceivably it could cost \$25-30,000 over the 25 years just for audits. Our project is only 1.6ha and will deliver in the order of 700 ACCUs. Fortunately the funding for our pilot project included a budget line for initial audit fees. We will still need to realise \$25/ACCU just to cover the subsequent audit costs.

By comparison, one local group here is finalising a \$100,000 grant from the Queensland Government to revegetate 6 hectares. To have that project audited by a local accountant will cost about \$400; although granted it's not the same type of audit.

There does not appear to have been a risk-based approach taken in devising the auditing framework, rather a one size fits all. Irrespective of whether ACCUs are sold to the government or through the voluntary market it is imperative that integrity be maintained. However, where the risk is lower there could surely be a less onerous process.

Q.29. Are there any opportunities for further streamlining reporting and auditing while maintaining the integrity of the scheme?

See above

Q.30. Are the purchasing principles fit for purpose? If not, how should they be changed?

No comment

Q.31. Is too much emphasis placed on the least cost principle?

Definitely

Q.32. Is the contracting and auction process fit for purpose?

No comment

Q.33. Are there improvements that could be made to the auction design or contracting process?

No comment

Q.34. Are the ERF contracting arrangements fit for purpose? If not, how could they be improved?

No comment

Q.35. How has the secondary market been operating?

No comment

Q.36. Is the secondary market sufficiently transparent and are any changes needed to increase its effectiveness?

For a very small player in a regional area it's very hard to get an understanding of how the voluntary market works, and how we might participate. This is clearly a critical issue for us to address in our pilot project if we are to derive any income from our plantings, we just haven't got to it yet.

Q.37. Could the current governance structure of the ERF be improved? If so, how?

No comment

Q.38. In what ways could transaction costs be minimised for ERF participants while maintaining environmental integrity?

See earlier comments on auditing

Q.39. Is the current compliance regime effective including for relinquishment of ACCUs in cases of a lack of permanence?

No comment

Q.40. What would improve its effectiveness?

No comment

Q.41. Should the Government allow the export of ACCUs or imports of carbon credits to meet contractual obligations under the Emissions Reduction Fund?

No comment

Q.42. How can Australia ensure that ACCUs would be eligible in future international markets?

No comment

Q.43. What role should the ERF play in meeting Australia's future international targets?

No comment

Q.44. How would this affect its crediting and purchasing elements?

No comment

Q.45. To what extent (if at all) is uncertainty around the future of the ERF affecting investment decisions in offset projects and the secondary market?

It has been a significant disincentive, and continues to be. The community's willingness to participate further (after the completion of our feasibility study) could quite conceivably depend on the outcomes of this review. If there is nothing done to address the high cost of auditing then the figures don't stack up at all well for small-scale projects, even if we do create our own NFP aggregating entity. This of course is complicated by uncertainty around just how much we might be able to realise (\$/ACCU) through the secondary market.

On the other hand, the only vegetation-related government funding program specifically excluded from ERF projects is 20 Million Trees, so a revegetation project funded under eg the Threatened Species Recovery Fund would not be excluded. The premise underpinning our feasibility study is that we are seeking to derive a financial return from carbon being sequestered in revegetation projects planted on a year on year basis. Community groups typically rely on government funding (eg NLP) to implement these projects, and overall levels of funding have declined markedly over recent years. Income from carbon

sequestration could help us deliver more vital restoration work in the future. If other government programs (eg TSRF) are excluded as a result of further policy changes then this opportunity could be lost.

Consider this scenario – without access to government funding a local group miraculously manages to borrow \$75,000 (say from an impact investor) to revegetate 3 hectares. The project is registered and delivers 2100 ACCUs over 25 years. Auditing costs will add \$25,000. The group would have to realise \$50/ACCU on the secondary market to meet all the costs, and that's not factoring in any interest payments.

Thank you

Appendix 1

Southern Atherton Tablelands Revegetation Alliance – Membership List

Local Community Groups

Trees for the Evelyn and Atherton Tablelands Inc

Tree Kangaroo and Mammal Group Inc

Barron River Integrated Catchment Management Assn – t/as Barron Catchment Care

Malanda and Upper Johnstone Landcare Group

Yungaburra Landcare

Johnstone River Catchment Management Association

Regional NRM

Terrain NRM

State/Local Government

Queensland Parks and Wildlife Service –

Qld Dept of Environment and Heritage Protection

Wet Tropics Management Authority

Tablelands Regional Council

Revegetation Contractors

North Qld Land Management Services

Mark McCaffrey

FNQ Weed Services

Other

Malanda North

Relevant extracts from the State of the Wet Tropics Report

Minimising the impacts of future climate change will require a multi-faceted policy and management strategy that includes:

- *targeted, systematic, region-wide monitoring to provide ongoing information on the region's Outstanding Universal Value to stakeholders*
- *special focus on vulnerable species identified in the Wet Tropics with emphasis on the endemic, specialised, ancient and rare species*
- *protection and management of the high priority refugia*
- *protecting and increasing habitat restoration in the places that will make the most significant contribution to both current and future connectivity, thereby maximising the potential for species to move with their required climate zones*

Elevational patterns of biodiversity

The cool wet rainforests in the uplands of the Wet Tropics region are critically important refuges for the region's high biodiversity value and one of the most important components of the Outstanding Universal Value of the region. The elevational gradient is one of the strongest climatic gradients in the region and almost every biological pattern and process systematically changes across this gradient.

Almost all patterns of biodiversity, indeed almost all the biodiversity values contributing to the regional Outstanding Universal Value, are influenced by elevation. For most vertebrate taxa, diversity is moderate in the lowlands, increasing steadily with elevation to be at its highest between 1000-1300m and then declines above 1300m.

Figure 15. Close-up of the conservation prioritisation for the central Wet Tropics.

Critical biodiversity refugia for protection are circled in red. Examples of important corridors for connectivity are highlighted in yellow. This analysis considers the location of current biodiversity, future biodiversity, the dispersal capability of each species, and the uncertainty of future climate projections based on multiple climate models.

