



STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS

LEGISLATION COMMITTEE

Submission

Inquiry into the Carbon Farming Initiative Amendment Bill 2014

Background

CO2 Australia is the largest provider of dedicated carbon sink plantings in Australasia and delivers advisory and environmental management services to customers around Australia. On behalf of its clients CO2 Australia manages an estate of more than 26,400 hectares of planted forests and protected remnant native vegetation. The company has provided services that have resulted in the registration of eight CFI projects and the creation of more than 300,000 ACCUs. This means that more than 300,000 tonnes of carbon dioxide equivalent have already been abated through these projects. This record has been achieved through private sector investment and generated employment in regional Australia.

General Comments on the Bill

In the event of repeal of the Carbon Pricing Mechanism ('carbon tax') it is essential that this Bill be passed by the Senate to enable the purchase of abatement from the economy. In the absence of such a measure – the value of millions of dollars of past investment will be wiped out. More significantly there will be no investment in new efforts to reduce Australia's greenhouse gas emissions and the likelihood of Australia meeting its state emission reduction ambitions will be severely curtailed.

Any 'gap' between the effective repeal of the carbon price and introduction (i.e. implementation) of the government's ability to purchase emissions reductions will create significant difficulties in the productive parts of the economy that retains the capability to address climate change.

Continued changes to climate policy, continued changes in regulations relating to the creation and verification of carbon credits and the absence of policy to provide a clear, long and loud market signal have resulted in significant damage in Australia's ability to reduce emissions.

The existing Carbon Farming Initiative is complex, involves considerable transaction cost and effort. The intention to simplify the administration of the CFI is welcome.

One of the features of the proposed legislation is that it begins the process of moving a wide variety of abatement activities into a single framework. Thus emission reductions from measures within the energy sector (e.g. energy efficiency activities), the waste sector (e.g. land-fill gas capture) and land-

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based activities (forestry and soil carbon sequestration) can be assessed within the same regulatory framework. This approach has much to recommend it.

Crediting Periods for Reforestation (Sequestration) Projects

For sequestration projects that either elect to have a 100 year permanence obligation, or because they are transitioning into the new legislative framework from the current Act the period for which the project is able to create credits (i.e. ACCUs) becomes a single 25 year period (Section 70). Under the current legislation it is possible to apply for subsequent crediting periods.

Thus the proposed legislation penalizes early movers by removing the opportunity to apply for subsequent crediting periods.

The basic rule (Section 69) is that sequestration projects will be eligible for a 25 year crediting period. Should they adopt a 25 year permanence obligation, these projects will receive credit for only 75% of the carbon that is actually sequestered (section 5.30 of the Explanatory Memorandum)

The proposed new law will produce a series of unintended consequences. First the limited crediting period will reduce the likelihood of reforestation/revegetation occurring in drier landscapes where growth of vegetation is slower. These are often the landscapes that have been over-cleared in the past.

Second, the proposed legislation curtails the potential economic life of carbon assets that would continue to actively sequester carbon beyond the period for which the project is credited. With no prospect of obtaining recognition or benefit for the real environmental service being delivered there is significantly less incentive to actively manage the asset over the longer term.

Recommendation: Amend the Bill to allow for a second 25 year crediting period for projects where there is a 100 year permanence obligation.

Safeguard Mechanism: Safeguarding the safeguard

As part of the Direct Action approach the Government has undertaken to put in place a 'Safeguard Mechanism' to reduce the likelihood of emitters 'gaming' the Emissions Reduction Fund. Although the technical parameters as to how the Safeguard Mechanism would work in practice remain to be developed, a legislative amendment to this Bill that acts as a back-stop and requires the government to deliver the safeguard mechanism by the middle of calendar year 2015 is required

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