



Carbon Credits Bill 2011

Submission



Queensland Murray-Darling Committee Inc. Submission Carbon Credits (Carbon Farming Initiative) Bill 2011

Submission to Parliamentary Committee hearings Carbon Credits (Carbon Farming Initiative) Bill 2011

Submission To:

Committee Secretariat

Standing Committee on Climate Change, Environment and the Arts

House of Representatives

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Submitting Organisation:

Chief Executive Officer

Queensland Murray-Darling Committee Inc.

This submission is presented by the Chief Executive Officer on behalf of the Queensland Murray-Darling Committee Inc., or QMDC. QMDC is a regional natural resource management (NRM) group that supports communities in our designated region to sustainably manage their natural resources.

▶▶ Background to QMDC

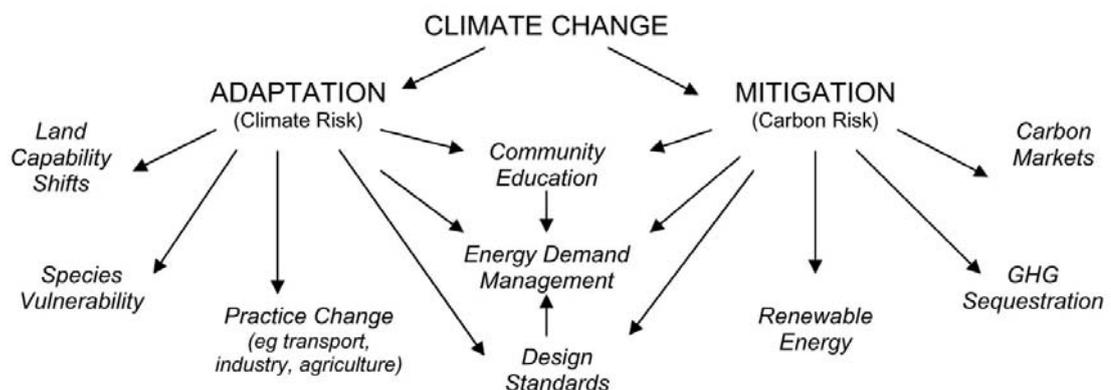
The Queensland Murray-Darling Committee Inc., or QMDC, is a natural resource management (NRM) organisation that supports communities in our designated region to sustainably manage their natural resources. QMDC's vision is working towards the equitable, efficient and sustainable use of water, land and other environmental resources of the Queensland Murray-Darling Basin.

QMDC's activities are guided by the Regional Natural Resource Management Plan, which sets community and government agreed targets and actions plans for the protection and enhancement of the natural assets across our region. This plan has an "Energy and Waste" section which focuses on progressing a regional approach to Greenhouse gas emissions.

▶▶ QMDC and Climate Change

QMDC is an organization that is willing to support positive steps towards understanding climate change impacts on the region and the most appropriate adaptation and mitigation actions for this part of the nation.

Conceptually, anthropogenic climate change responded to by individuals, industry and government can loosely be grouped into adaptation and/or mitigation responses. Examples of how these responses may transpire can be overviewed per the below diagram:



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QMDC has been encouraged by several key reports along with our recent experience look to progress a regional initiative. This approach highlights that all policy and legislation aimed towards effective action on climate change must consider the impacts on the natural environment and the communities which are a part of them.

For the purposes of effective sustainable development, there is endorsement and recommendation at both national and international levels that “...*communities prepare ‘Climate Change Adaptation Plans’ to manage the impacts of climate change on the Australian Landscape...*” (Wentworth, 2009, p2).

QMDC has invested in gaining capacity and skill in Climate Change adaptation and mitigation. We are actively enabling our region to practically and effectively respond to the challenge of managing the impacts of climate change within the context of sustainable development now and into the future. Most recently, this includes promotion of the development of a Regional Renewable Energy Strategy as a key mitigation action. These actions are in line with the Government’s decision to implement such a plan.

 **RESPONSE TO THE CARBON CREDIT BILL 2011**

QMDC is supportive of a regionally based Carbon Farming Initiative (CFI) as outlined in the *Carbon Credit Bill 2011* if such an approach can be facilitated within this legislation.

 **Regional Climate Change Initiative Proposal**

QMDC as an independent community organization is in a position to develop a Regional Climate Change Initiative which delivers vision and direction for the planning and management of natural resources, and social and economic development throughout the Queensland section of the Murray-Darling Basin region in the face of climate change.

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A strategic approach would provide individuals, industry and government self-determined direction on priorities that target the most pertinent vulnerabilities for the region. This approach would facilitate community wide building of resilience in the face of this great challenge. This plan would recognise the need to protect important cultural, ecological, social and economic values in the region. It also represents an important strategy and framework to care for country.

Role of Regional NRM Organisations

The recognition of the Regional NRM Planning process is an important contribution to assisting the Carbon Farming Initiative to efficiently and effectively facilitate positive outcomes from a domestic carbon offsets market. It has the possibility to incentivize and facilitate private investment in natural resources for multiple outcomes. However, carbon values should not be a 'pseudo' value of environmental health and investment in carbon projects should not be at the expense of other environmental outcomes e.g. water quality, water availability, biodiversity and habitat conservation.

It is not clear within the legislation how eligible offset projects within a region as identified within the Regional NRM Plans are managed between the Commonwealth and relevant Regional NRM Organisation. This applies to all phases of the provision of an offset from assessment and proposal to carbon maintenance and retirement.

It is also unclear if there will be regulatory functions associated with this inclusion for Regional NRM Organisations, bearing in mind that in Queensland such organisations are not statutory bodies as in other states.

Declarations of eligible offset projects

QMDC supports the government's recognition of Regional Natural Resource Management Plans in the context of determining offset eligibility. However, support for assessment at a regional planning level regarding the compatibility of regional NRM plans and a proposed offset requires investment. The government will need to invest in expertise based within regions to assist reduction of transaction costs for

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generation of offsets as well as environmental integrity of projects. This aspect of the carbon trading supply chain cannot be managed centrally by the government efficiently without this consideration of resourcing.

This investment should also include provisions for long term support to manage potential challenges if/when “a project becomes inconsistent with a natural resource plan”. This should include supporting offset providers in reducing the risk of such events through involvement in regional NRM processes.

The intent of a Carbon Farming Initiative is positive for the environment; however, it must not promote perverse landscape outcomes and reward poor land management. Some aspects of Drought Policy have been previously inferred to do this and as a form of “climate policy”, it would be a shame if lessons learned over the last few decades through drought policy (as an example) were not considered in the Climate Farming Initiative.

Landholders who have adopted good natural resource management practices are likely to have existing stores of carbon in the landscape and should be able to participate in the carbon market and have this management recognised.

Emissions Avoidance Offsets Projects

Recognition of abatement actions is positive. Clarity on the whether renewable energy projects would be considered eligible offsets under this particular legislation are absent.

Communication

The communication process of the Carbon Farming Initiative consultation paper was limited and assumptive. There has been no communication in rural and regional centres regarding aspects of the proposed legislation which is where a Carbon Farming Initiative would source the majority of offsets - rural not urban landscapes.

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The short consultation periods regarding review of draft legislation likewise is limiting accessibility and considered feedback from the voting public.

The Commonwealth has inadvertently assumed that rural landholders have a level of literacy and acceptance of Climate Change and associated carbon policy terminology so as to be able to engage in this debate. This is despite extensive periods of severe drought, and in many areas now severe flooding, consuming agricultural businesses time and efforts over the last decade.

“Information and tools to help farmers benefit from Carbon markets will be available on the DAFF website” is insufficient in terms of communication of this complex topic to such a diverse and dispersed group.

Providing some information to Regional Landcare Facilitators to deliver the message while positive, is a small token effort which fails to recognize rural sociology principles and the complexity of the communication process required to ensure the uptake of this initiative by rural landholders. Far greater extension services, processes and use of more audience appropriate communication methods are essential if broad uptake of carbon abatement and sequestration activities are to be realised. Information extension support ideally could be via a regional structure. The government needs to reduce transaction costs for participation and provide opportunities for good information and knowledge transfer so that this aspect does not undermine the outcomes. The assumption that regional participants have good access to full information is critical to the efficient delivery of a true market and prevention of avoidable market failure.

Ensuring Environmental Integrity

While it is important that a carbon credit represents genuine abatement, this must not be at the cost of other environmental values. Carbon values alone should not dictate that an offset will have higher market value and help address climate change most effectively as climate change adaptation needs to also be a considered priority.

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We will be unlikely to mitigate climate change at some level and adaptation will be essential across the landscape.

Addressing climate change is not just mitigation actions but also adaptation actions. Incentives for offsets which are detrimental to climate change adaptation risks should not be supported or encouraged and we believe the legislation is limited in its capacity to facilitate this assessment. The reliance on Regional NRM Plans makes the assumption that these plans have had investment in determination of Climate Change adaptation challenges to help capture this impact. This would be desirable, but investment in the Regional NRM Plans to consider Climate Change adaptation impacts is sorely lacking at present.

For example, the planting of a monoculture system may yield more carbon but is at the cost of habitat corridors for species migration dealing with temperature change now. There is also the likely added pressure on water supply for tree establishment.

Enabling broad participation

Whilst important to remove barriers to entry, the considerations of barriers to exit must also be considered. Landholders need information support to be well informed of the risks and consequences from entering into offset agreements. Information must be provided so that levels of education and access to information don't see landholders become the victims of predatory behaviour from carbon credit aggregators or others involved in the carbon supply chain.

Research and Development

Large technical gaps exist in many aspects of understanding, measuring, modelling and managing natural processes that contribute to greenhouse gas emissions. Significant investment in practice linked science which includes effective extension and adoption activities is imperative if the nation is to be given a realistic chance for engaging and contributing to real emission abatement and sequestration. For example, soil science research which contributes to understanding of nitrous oxide,

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methane and carbon dioxide emissions in agriculture and the natural environment is poorly resourced for the task ahead.

There is a risk that some practices that contribute to increase abatement of one gas, lead to increases in the release of another and this process needs far more investment to assist management. Just relying on a carbon market to achieve a reduction in overall agricultural and land use emissions fails to acknowledge the limitations of our current scientific understanding. In some aspects and the challenge of how site specific some relationships of practice to emission intensity is for land management is not likely to be fully appreciated by a carbon market in a positive way. This lack of information could result in market failure and is not to be underestimated in development of an efficient, effective and truly competitive carbon market as aspired to by the Commonwealth.

Scheme Coverage

QMDC supports the Carbon Farming Initiative to include crediting of genuine offsets which don't necessarily contribute to international emissions reporting frameworks due to the 'rules of Kyoto' accounting.

Sale of Units

If an offset is tied to a parcel of land/land title, the difference between a 'once-off' payment for an offset as compared to an ongoing/annual payment for an offset could potentially have long term impacts on property values.

A once off payment is not conducive to increasing property value and thus, deters investment by tying up of parcels of land through an offset caveat. An ongoing income stream to an offset provider is more likely to see the value of the offset change as the carbon market evolves and create more incentive for landholder investment in retention and generation of offsets. The challenge of 100 year permanence deterring offset investment may be able to be overcome through reviewing the process for the sale of carbon offset units and the inclusion of risk of reversal buffers.

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 **Integrity Standards**

QMDC concurs that abatement needs to meet internationally consistent standards but not at the expense of realising reductions/sequestration of emissions in the short to medium term.

Auditing of offset methodology could be undertaken by government authority or sub-contracts by government and not let to independent organisations in the initial stages of any scheme commencement.

Justification:

- a) Lack of access to expertise likely to make the audit process prohibitively expensive.
- b) High risk activity for auditors to invest in developing skills and likely to be many future legislative changes/impacts from other climate change policies to consider.
- c) Reduced transaction costs for participant if audit process administered/funded via federal mechanism.
- d) Mechanisms to allow third party auditors to participate as scheme matures, so government is not crowding out private sector if market demands it and can support.

 **Scheme Process*****Becoming a recognised entity***

QMDC has concerns for organisations who administer/develop an offset to have the longevity necessary if permanence of 100 years is required for an offset. QMDC seeks clarification on what systems need to be in place to account for such a long planning horizon.

Project approval

QMDC has concerns regarding high transaction costs for all levels of government to ascertain project approval. In particular the capacity of small local governments to generate income to cover costs and provide consideration of carbon offset projects.

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Perhaps federal officer support could be provided on a regional local government basis to work with local government and reduce transaction costs associated with assessing carbon offset projects against relevant planning schemes.

We wish to highlights the value of a more regionally based response to assist the implementation and maintenance of initiatives associated with carbon policy.

Permanence

A domestic offset system needs to consider international schemes but also needs to consider what mechanisms will deliver the greatest reduction/removal of carbon emissions in the shortest time frame in order to avert dangerous levels of global warming and climate change.

The concern is that although 100 years is an aspirational target, it is difficult for rural landholders and businesses to be decide to invest in a project to sell off their carbon property rights for longer than they will be alive. Most rural businesses managers are in an active ownership/management position for 15 years due to the nature of agricultural business succession planning and high levels of capital which are required to enter into many agricultural businesses.

Perhaps an option of 15-30 years for the sale of an offset will provide a greater uptake of investment in delivery of offsets due to reducing the uncertainty around such a long planning horizon. A “risk of reversal of carbon sequestered” would be a more realistic approach to facilitate investment in development of offsets on private lands. It would also reduce transaction costs associated with various crown leasehold land tenures which could be available to generate offsets if the timeframes were more closely linked to current leasehold and other tenure arrangements.

The provision of an offset for a shorter time frame doesn't necessarily mean that its existence would not be maintained for 100 years or more.

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▶▶ Additionally

Recognition of current 'best management practices' in addition to a 'business as usual' scenario has the potential to foster a greater uptake of environmentally sustainable practices on farm.

This also would be about rewarding those who have been striving to abate emissions on farm and not degrade their landscapes and increase emissions.

The risk of not recognising good land management practices positively in a Carbon Farming Initiative is that those landholders who have degraded their landscapes could potentially be those who benefit the most. A disincentive to manage sustainably but rather deplete on farm stores of carbon so that maximum opportunities to gain from carbon offsets is apparent.

QMDC seeks to ensure that good agricultural land managers who haven't degraded their land are not discounted but sufficient incentive for poor land managers to adopt good land management practices which provide multiple landscape outcomes as well as carbon.

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