Northwest Carbon Pty Ltd
Adelaide Office15B King William St
Kent Town SA
5067
Phone: (08) 8362 0056
Fax: (08) 8362 0074
www.northwestcarbon.com

TO: Senate Standing Committees on Environment and Communications
RE: Carbon Credits (Carbon Farming Initiative) Bill 2011; Carbon Credits (Consequential Amendments) Bill 2011 and Australian National Registry of Emissions Units Bill 2011 review

The respondent does not wish this submission to be made confidentially.

Dear Committee Chairperson and Members,

Northwest Carbon (NWC) is supportive of the principles of the bills being examined under this review. NWC is a carbon project originator (or developer), with a particular focus on the Australian rangelands. NWC has developed and submitted a methodology to the Domestic Offset Integrity Committee for generation of carbon credits through the removal of large feral herbivores (camels), and is actively developing projects to reduce emissions through changed savanna burning practice, and improving carbon storage though changed grazing, hydrology and fire management in the rangelands. NWC is actively engaging with the Department of Climate Change & Energy Efficiency to develop methodologies to commoditise these activities through the CFI. NWC has a strong intellectual property portfolio, including patent positions on generation of abatement though feral animal management, savanna burning management and improved grazing and rangelands management practice.

NWC is pleased to see that there is apparently broad and bi-partisan support for the Bill from the major parties. NWC is broadly pleased with the changes that have been made to the CFI bill that has been introduced to Parliament, with many of the changes NWC was seeking following initial consultation being implemented in the version of the Bill introduced to Parliament on the 24th March, 2011.

With regards to the general concern that the availability of credits that could be issued under the CFI will dilute a future carbon price in Australia, we have some specific comments.

First, there are challenges in implementing a carbon price on emissions across the agricultural sector, in particular with regards to measurement and verification of emissions storage or avoidance. The application of a crediting scheme where innovative and scientifically sound process can be established to reduce or sequester emissions will provide a strong incentive for emissions reduction and storage activity to occur.

Second, changed practice and uptake of new or innovative approaches to management that leads to emissions reduction and/or storage in the agricultural sector will not happen as soon as those innovations are made available (seen as newly approved methodologies under the CFI). As a "diffuse" source of emissions, it will take a significant amount of time for those new processes and practices to be adopted in such a fashion that Australia's net emissions from the agriculture sector are significantly reduced. This is because it will take many individual operators to adopt the new process or practice to create a significant reduction in emissions at the aggregate or national level. This can be compared with say, the electricity production sector, where there are relatively few large producers, and where innovation and new process only needs to be adopted by a few participants in the sector to make significant reductions in Australia's National Greenhouse Accounts.

The use of a crediting mechanism applied under the CFI to the agriculture sector therefore may help to overcome challenges and barriers to the uptake of new processes and practices to avoid and store emissions (that can also significantly improve biodiversity outcomes, and create regional industry and jobs, including culturally relevant ones for Indigenous communities and identified Traditional Owners), by providing financial leverage to modify processes and practises to more "atmosphere friendly" ones though time. Given the timeframe taken to develop and implement such changes, and the likely very low levels of actual credit issuance in the first five or so years of the scheme (assuming that if the majority of Kyoto offsets are developed by reforestation/afforestation), there will be a limited impact on credit volumes generate by the CFI on a carbon price in this country.

We believe that there should be no import of Kyoto-compliant credits into Australia during the first five years of any carbon price, regardless of whether the Australian carbon price is introduced as a tax or an emissions trading scheme. This is for two reasons.

First, the nascent carbon market in Australia needs to have some level of surety that projects have a clear financial return over the early years of a scheme, following years of inaction and "voluntary only" schemes such as Greenhouse Friendly, where credits were not backed with AAU's and therefore lacked "real" credibility representing truly additional actions, which also significantly hindered the financial value of the units produced under GF.

Second, such a limit on the use of international credits or permits would ensure that the carbon price in Australia in the early years of any scheme would be high enough to drive significant abatement in other sectors. By the time a free-flowing international market linkage was allowed in later years (say, after 5 years of restricted international linkage), it is expected that there would be a significant and well-resourced emissions abatement industry developed, with project starting to deliver significant volumes of credits that actually reduce Australia's emissions profile.

In respect of non-Kyoto CFI units, learnings from the voluntary abatement sector (e.g. soil carbon) have the likely mid- to long-term benefit of restoring and improving agricultural productivity, and hence providing food security in a changing climate. This will also provide the potential for improved financial viability of rural communities. As a result of learnings in this sector, there is the opportunity to export technology and process to the rest of the world, with real, measurable, reportable, verifiable emissions storage occurring that also serve to improve food security at a global level.

Due to the potential for a suite of positive impacts, over and above the global benefit of reducing emissions and improving carbon storage, thereby significantly moving towards reducing global atmospheric greenhouse gas concentrations, we are fully supportive of the Federal Governments approach to the Carbon Farming Initiative and the purpose of the Carbon Credits (Carbon Farming) Bill as presented to Parliament and under consideration by this Committee.

We are pleased to endorse the Bills under review here as they are presented, and would be pleased to meet with the Committee to discuss our submission if it so sees fit.

Dr Tim Moore
Director, Strategy and Origination