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Senate Standing Committees on Environment and Communications
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Canberra ACT 2600
Australia

Birds Australia
CONSERVATION THROUGH KNOWLEDGE

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Dear Senators,

RE: CARBON CREDITS (CARBON FARMING INITIATIVE) BILL 2011.

I am writing to provide Birds Australia's comment on the above Bill. Birds Australia (the Royal Australasian Ornithologists Union) was founded in 1901 and works to conserve native birds and biodiversity in Australasia and Antarctica, through the study and management of birds and their habitats, and the education and involvement of the community.

The Carbon Farming Initiative offers the opportunity to sequester carbon while also providing benefits to biodiversity. However, there is also the possibility of the Initiative encouraging perverse outcomes, for example, by providing subsidies for, or promotion of, fast-growing monoculture-based production systems at the expense of native vegetation communities.

Birds Australia are concerned that, although the importance of Biodiversity was flagged in a good number of submissions made to the Department of Climate Change on the Carbon Farming Initiative (CFI) draft legislation, it was not picked up as key issue. (There were 13 other 'key issues raised by stakeholders' outlined on the Departments website http://www.climatechange.gov.au/en/government/initiatives/carbon-farming-initative/outcomes-of-consultation.aspx).

The issues of climate change and biodiversity are interconnected, not only through climate change effects on biodiversity, but also through changes in biodiversity that affect climate change. Yet the importance biodiversity has not been adequately recognised in national climate change mitigation policy to date.

We suggest that a Biodiversity and Climate Fund that is; established within the framework of the legislation; linked to both the CFI and Australia's Carbon Tax/ Emissions Trading scheme; and administered by an Independent Authority, would provide a mechanism to secure a win-win scenario under which biodiversity is conserved and carbon storage enhanced.

The CFI Bill can be significantly improved, particularly with respect to maximising biodiversity benefits, by:

1. Recognising that the result of the degradation of natural ecosystems is a significant reduction of their carbon storage and sequestration capacity.

2. Increasing recognition that biodiversity has a very important role to play in climate change mitigation through nature-based solutions.

3. Creating a Biodiversity and Climate Fund.

4. Ensuring biodiversity impacts and benefits are adequately considered in the CFI legislation and development of methodology.

5. Ensuring a national standard is developed for accreditation and reporting that promotes biodiversity outcomes along with carbon sequestration.

6. Providing a mechanism for all governments, business, and the broader community to support carbon offset enterprises whose projects benefit biodiversity.

7. Supporting projects that directly result in the protection of native vegetation that would otherwise degrade or be cleared; or results in management changes that benefit biodiversity and capture more carbon.

8. Recognising the importance of old growth vegetation and the more naturally carbon-dense nature of natural ecosystems.

9. Ensuring that auditing of offset approvals is based on credible full carbon accounting.

10. Ensuring that the initiative does not actively contribute to biodiversity loss and decline.

Birds Australia has provided a number of suggestions that we believe could improve the outcomes of this Initiative. I would welcome the opportunity to discuss further details.

Yours Faithfully,

Samantha Vine
Conservation Manager
Birds Australia

The Carbon Farming Initiative – Suggested Areas for Improvement

1. Creation of a Biodiversity and Climate Fund

Recently, Professor Ross Garnaut's Climate Change Review update paper on 'Transforming Rural Land Use' emphasised:

> 'Just as greenhouse gas emissions without a carbon price represent a market failure, the decline in Australia's biodiversity can also be attributed at least in part to a failure to correct through public policy the market's failure to value the natural estate. For example, the recent Henry tax review pointed to the important role government can have in purchasing biodiversity outcomes through management agreement payments to providers of carbon-sink forests for the additional costs of planting and maintaining biodiverse forests in perpetuity (Commonwealth of Australia 2010).
>
> This failure, combined with the vulnerability of Australian ecosystems to climate change (Steffen et al. 2009), provides a **strong basis for introducing incentives to encourage biodiversity co-benefits from biosequestration activities**. In other words, the carbon price incentive for biosequestration should be accompanied by complementary biodiversity conservation incentive mechanisms so that increased biosequestration can help and not damage biodiversity.'

Professor Garnaut recommended that the Australian Government align incentives to reduce greenhouse gas emissions through a carbon price and complementary measures; including incentives to build the resilience of ecosystems and biodiversity to the impacts of climate change. Professor Garnaut recommends allocating part of the income from a tax/trading scheme to the landscape sector.

A proportion of the revenue from Australia's carbon pricing should thus be used to create a substantial Biodiversity and Climate Fund for the protection and restoration of Australia's terrestrial and marine ecosystems.

This will help tackle climate change and its impacts by reducing greenhouse gases in the atmosphere and increasing the resilience of Australia's biodiverse natural environment so it can sequester carbon in the long term.

The Fund could also be used to improve ecosystem function and resilience, by prioritising increased landscape connectivity through, for example, premiums on incentives.

2. Scheme design principles

According to page 6 of the *Design of the Carbon Farming Initiative Consultation Paper*;

'The principles that will guide design of the scheme are:

· Ensuring environmental integrity – credits that represent genuine and additional emissions abatement will have a higher market value and help address climate change; and …'

To ensure the environmental integrity of the scheme, it is critical to add provisions to ensure that the scheme does not provide incentives that result in adverse outcomes for biodiversity and other environmental assets.

The environmental integrity of the scheme will directly affect consumer confidence, and indeed the credibility of the Australian Governments commitment to address the global environmental crisis. We therefore further suggest ensuring that the integrity standards are;

- Internationally consistent - Australia's clean house development mechanism must be consistent with Australia's International environmental policy obligations, such as the United Nations Convention on Biological Diversity, as well as the United Nations Framework Convention on Climate Change.

- Nationally consistent – Projects must be consistent (and align as much as possible) with Australia's National Environmental Policy, such as National Frameworks and Strategies'.

Birds Australia suggests addition of the following bracketed text:

'Division 3—Offsets integrity standards

133 Offsets integrity standards

(1) For the purposes of this Act, the offsets integrity standards are as follows:

…

[(e) a project of a kind specified in a methodology determination in accordance with paragraph 106(1)(a) will not result in significant adverse biodiversity outcomes.**]**'

Another way to ensure environmental integrity of the scheme is to recognise the role of natural systems as a first principle.

The importance of old-growth vegetation as native carbon storage needs to be recognised as a fundamental principle underpinning the scheme. Based on full carbon accounting[1], the conversion of old-growth vegetation to fast-growing plantations results not only in significant losses to biodiversity, but also the acceleration of climate change through reduced carbon storage (Steffen et al 2009). In addition, long-lived tree species may be more resilient to climate change than fast-growing exotic species so that natural systems a likely to store more carbon in the medium term (Steffen et al 2009). Indeed there is emerging consensus that permanent native forests should receive higher carbon sequestration credits than short-rotation plantations (e.g., Guo and Gifford 2002; Glenday 2006; Grandy & Robertson 2007; de Jong et al. 2007 *in* Berkessey and Wintle 2008).

Birds Australia therefore recommends the addition of principles that recognises the role of natural ecosystems in climate change mitigation.

3. Declaration of Eligible Projects

Birds Australia feels that specific criteria for declaration of eligible offset projects need to be included in the legislation to ensure the avoidance of adverse impacts on biodiversity. This criterion needs to be explicitly specified to avoid perverse outcomes and ensure the environmental integrity of the Initiative.

[1] In a given land area and time period, a full carbon accounting system would consist of a complete accounting for changes in carbon stocks across all carbon pools (Intergovernmental Panel on Climate Change 2000).

Birds Australia suggests the addition of the following bracketed text to Section 27 of the draft legislation:

'Declaration of eligible offset project:

Criteria for declaration

(4) The Administrator must not declare that the offsets project is an eligible offsets project unless the Administrator is satisfied that:

(j) the project does not involve:

(i) the clearing or harvesting of native forest; or
(ii) using material obtained as a result of the clearing or harvesting of native forest; **[** or
(iii) the clearing of native vegetation where it is likely to have an adverse impact on biodiversity; or
(iv) activities that are likely to have a significant adverse impact on a native species, ecological community or natural ecosystem, or other environmental asset **]** and …'

4. Natural regeneration

We are concerned that regeneration of natural vegetation, or re-growth, the most cost effective method of re-vegetation, does not appear to be adequately encouraged within the CFI.

Active reforestation, or tree planting, is a costly venture, and does not necessarily ensure that locally adapted, indigenous flora species or ecological structure that provides for the local biodiversity, is recovered. Whenever possible, abatement projects should be encouraged to provide for natural ecosystem regeneration. This is particularly important where regrowth of threatened ecological communities is feasible, for example the EPBC listed Brigalow (*Acacia harpophylla* dominant and co-dominant) endangered ecological community. Where systems are too degraded to regenerate, revegetating landscapes with complex ecosystems, rather than with monoculture plantations, creates good biodiversity outcomes while eventually storing more carbon.

Birds Australia therefore recommends that the CFI actively encourage projects that manage for natural regeneration.

5. Approach to addressing potential risks in relation to prime agricultural land, water availability and biodiversity, and suggestions of alternative options.

In cleared or degraded landscapes, improved land management and/or restoration (using native assemblages) can enhance climate change mitigation and conserve biodiversity. Similarly, enhanced sequestration of soil carbon, for example by conserving wetlands, grasslands and savannahs, can contribute to climate change mitigation, the conservation of biodiversity and the provision of valuable ecosystem services.

Birds Australia are concerned about the possible adverse impact of abatement projects on biodiversity. The consultation paper inviting comment on the approach to potential risk (page 9) referenced the regulations under the eligibility criteria (now Section 27(4)(l)). These regulations are yet to be developed and there appears to be no requirement to make the regulations available for public comment. It is therefore remains uncertain as to whether or not the regulations will

address the risks in relation to water availability and biodiversity.

In order to reduce potential risk to biodiversity Birds Australia suggests addition of the following bracketed text;

'**^27 Declaration of eligible offsets project …**
Criteria for declaration
(4) The Administrator must not declare that the offsets project is an eligible offsets project unless the Administrator is satisfied that:…
(l) the project meets the eligibility requirements ~~(if any)~~ specified in the regulations; and
[(o) the project is unlikely to have a significant adverse effect on environmental assets, such as biodiversity.**]**'

6. Regulatory approvals

Birds Australia supports the proposal to require projects to obtain regulatory approvals and meet regulatory requirements from all levels of government before they receive final approval under the scheme to promote compliance with Commonwealth, state and local government planning, environmental and water requirements. Birds Australia further supports the proposal to require project proponents to consider relevant regional natural resource management plans and alignment with natural resource management policies and programs. However, we recognise that state and regional policies and planning instruments are varied and complex.

As a guiding principle therefore, managed regeneration, or reforestation (even on marginal land, to manage salinity, provide shelter for animals or wind breaks against erosion) should promote the restoration of **indigenous flora** and should **never be at the expense of native vegetation.**

The scheme must prevent approval of abatement projects that involve, or benefit from, the destruction of native vegetation where it is likely to have an adverse effect on biodiversity, not just 'forests'.

7. Alignment with National & International policy

International Policy
The mandate for consideration of biodiversity exists under the Kyoto protocol rules of which Australia is a ratified signatory. The decisions adopted by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol in 2005 - Decision 16/CMP.1 affirms that the following principles govern the treatment of land use, land- use change and forestry activities:
(e) That the implementation of land use, land-use change and forestry activities contributes to the conservation of biodiversity and sustainable use of natural resources.

National policy makers and those who draft legislation are therefore obligated to consider the use of native vegetation to contribute to biodiversity conservation.

National Policy
The opportunity exists now to align the CFI with other national environmental policy.

Australia's Biodiversity Conservation Strategy 2010-2030 has been adopted by all Australia's governments and implores governments to mainstream consideration of biodiversity and to 'make biodiversity central to decision-making processes' (page 17). It also asks governments 'to ensure that new markets, such as those for carbon and water, are designed and implemented to avoid unintended negative consequences for biodiversity (page 42). The Strategy contains the following target;

'9. By 2015, all juristictions will review relevant legislation, policies and programs to maximise alignment with Australia's Biodiversity Conservation Strategy.

Specific outcomes in the Strategy also include, for example;

'Outcomes for mainstreaming Biodiversity …

1.1.4 An increase in the cross-sectoral intergration of biodiversity conservation in public and private sector planning and management.'

The Draft National Native Vegetation Framework (2010) also seeks alignment with emerging carbon markets. For example, Goal 3 of the draft Framework is to:

'Maximise the native vegetation benefits of carbon markets

Examples for Goal 3:

- By 2013 national standards have been developed for accreditation and reporting of schemes that promote biodiverse native vegetation outcomes along with carbon sequestration and other environmental benefits
- By 2015 all native vegetation plans, policies and programs will be designed to maximise native vegetation condition outcomes of carbon market opportunities.'

The opportunity thus exists to ensure the CFI recognises the importance of native vegetation and the importance of using locally indigenous vegetation to sequester carbon in reforestation or re-vegetation projects.

Developing a new methodology in isolation of a soon to be developed national standards would be a waste of resources and dilute the effectiveness of a national carbon offset standard.

Design of the Carbon Farming Initiative should therefore align with our international and national obligations from the outset, and ensure that the native vegetation and biodiversity benefits of carbon markets are immediately maximised.

8. Incorporation of Co-benefits

Birds Australia supports the inclusion of information on the database, about the biodiversity and other co-benefits associated with projects, to inform the choice of offset buyers. However, inclusion of such information is insufficient to ensure co-benefits are incorporated wherever possible.

The Carbon Farming Initiative needs a mechanism to actively facilitate the inclusion of priority environmental co-benefits, particularly the conservation of Australia's biodiversity. The legislation needs to ensure that potential biodiversity benefits **are always** considered when a proponent proposes a carbon-planting project. This could be achieved, for example, by formalising consideration in the methodology and application process.

We recommend that the regulations and methodology include a standard (or equivalent accreditation process) that will improve the environmental integrity of the scheme. For example, by certifying that bio-diverse 'co-benefits' will actually deliver biodiversity outcomes to an agreed range of standards. The standard(s) should also be used to make certain that the Initiative does not lead to perverse outcomes. An appropriate standard would ensure that an incentive to plant trees for carbon sequestration, for example, would not have a negative impact on natural ecological system such as conversion of native grasslands or heath. An adequate standard would help to avoid the perverse environmental outcomes such as the planting of environmental weeds or disturbance of waterways.

Further, Steffen et al (2009) support development of a system of incentives such as biodiversity credits, which could be linked directly to the CFI. This is an approach that is also discussed in depth by Berkessey and Wintle (2008).

9. Methodology approval

Birds Australia suggest that in order to ensure alignment with National NRM policies the Department of Sustainability, Environment, Water, Population and Communities be engaged in the development of the Carbon Farming Initiative methodologies.

Birds Australia suggests the Department of Climate change and Energy efficiency could explore the development of an interdepartmental taskforce or working group to ensure alignment between Departments for environment and climate change policies, to ensure that the principles of environmental integrity will guide design of the scheme.

Summary

A clean development mechanism that measures and validates carbon offsets needs to ensure that it does not encourage perverse environmental outcomes and should actively facilitate the conservation of biodiversity. A proportion of the revenue from Australia's carbon pricing should thus be used to create a substantial Biodiversity and Climate Fund for the protection and restoration of Australia's terrestrial and marine ecosystems.

This will help tackle climate change and its impacts by reducing greenhouse gases in the atmosphere, and increasing the resilience of Australia's biodiverse natural ecosystems to enhance Australia's carbon storage capacity for the long-term.

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