



Minister for Corrections and Consumer Protection
Minister for Climate Change
Minister for Sustainable Transport and Alternative Energy
Minister for Aboriginal Affairs



Level 9, Marine Board Building, 1 Franklin Wharf, HOBART TAS 7000 Australia
GPO Box 919, Hobart, Tasmania, 7001
Ph: (03) 6233 6756 Fax: (03) 6233 2671
Email: minister.mckim@dpac.tas.gov.au

Ms J Morris
Committee Secretary
Standing Committee on Climate Change, Environment and the Arts
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Morris

Thank you for your correspondence inviting the Tasmanian Government to make a submission to the following Inquiry:

- Carbon Credits (Carbon Farming Initiative) Bill 2011
- Carbon Credits (Consequential Amendments) Bill 2011
- Australian National Registry of Emissions Units Bill 2011

I wish to advise that the Tasmanian Government is requesting that its previous submission to the Australian Government on the design of the Carbon Farming Initiative be considered as a submission to the committee. I attach a copy.

Yours sincerely

Hon Nick McKim MP
Minister for Climate Change

13 April 2011



Australian Government

Submission Template

Design of the Carbon Farming Initiative

Overview

This submission template should be used to provide comments on the consultation paper outlining the proposed design of the Carbon Farming Initiative.

Contact Details

Name of Organisation:	Tasmanian Department of Premier and Cabinet
Name of Author:	Jessica Lerch
Phone Number:	
Email:	
Website:	
Date:	19/01/2011

Confidentiality

All submissions will be treated as public documents, unless the author of the submission clearly indicates the contrary by marking all or part of the submission as 'confidential'. Public submissions may be published in full on the Department of Climate Change and Energy Efficiency website, including any personal information of authors and/or other third parties contained in the submission. If any part of the submission should be treated as confidential then please provide two versions of the submission, one with the confidential information removed for publication.

A request made under the *Freedom of Information Act 1982* for access to a submission marked confidential will be determined in accordance with that Act.

Do you want this submission to be treated as confidential? Yes No

Submission Instructions

Submissions should be made by **close of business 21 January 2011**. The Department reserves the right not to consider late submissions.

Where possible, submissions should be lodged electronically, preferably in Microsoft Word or other text based formats, via the email address – CFI@climatechange.gov.au.

Submissions may alternatively be sent to the postal address below to arrive by the due date.

Emerging Policy Section, Land Division
Department of Climate Change and Energy Efficiency
GPO Box 854
CANBERRA ACT 2601

Scheme design principles

The Tasmanian Government considers the proposed timing for commencement of the Scheme ambitious and recommends that the Commonwealth Government undertake further consultation with state and territory governments on the Scheme's design.

The Tasmanian Government would like to raise the following issues for further consideration and consultation.

- There is a real chance that the Initiative could have perverse outcomes (which could include impacts on water resources and agricultural productivity and could even extend to unreasonable financial impacts on landholders where carbon stocks are affected by large scale natural disturbances). The Commonwealth Government needs to fully consider perverse outcomes that may stem from the Initiative. We understand that a RIS has not been completed.
- Clearly, some projects that may meet Scheme criteria (and sequester carbon) may also result in negative environmental, economic or social impacts (as happened with the introduction of emissions trading in New Zealand). The Commonwealth Government should not expect state and territory governments to introduce new or additional regulation to deal with these potential impacts. As such, these issues should be fully considered and appropriately dealt with by the Commonwealth, in consultation with state and territory government. Any unintended negative impacts from particular projects need to be dealt with in the legislation or through methodology approval processes.
- The Commonwealth Government needs to provide sufficient assistance (such as education programs) for potential proponents and agents to ensure that the community understands the Initiative and can make informed decisions about whether they should participate in it. Appropriate consultation is needed to ensure that any such program would be effective.

Scheme coverage

The Tasmanian Government broadly supports the Scheme coverage noting that the breadth of coverage contributes to the potential for negative environmental and social impacts from approved offset projects.

Given the proposed inclusion of soil carbon sequestration activities (and other non-Kyoto compliant projects) within the Scheme, more thought needs to be given to support for the market for voluntary credits. The voluntary market for carbon credits is relatively small and could easily be swamped by any large issue of non-Kyoto credits. Without a strong voluntary market, the resulting low price for non-Kyoto compliant credits may easily negate any incentive for investment in non-Kyoto projects under the Scheme.

Sale of units

Nil.

Regional Communities, Water and Biodiversity

The Tasmanian Government supports the proposed requirement for project proponents to consider relevant regional natural resource management plans, as well as other relevant local and state planning policy and legislation. That said, this alone may not be sufficient to prevent negative environmental and social impacts (without expecting local and State authorities to 'take up the burden' of introducing new or additional regulations).

The likely discrepancy between Kyoto and Non-Kyoto offset projects may also lead to negative environmental outcomes. The Tasmanian Government is not yet confident that these have been fully considered. The way in which the Scheme may interact with State-based conservation initiatives (including previously established Conservation Covenants) is also of some concern. It appears possible that landholders will invest their resources in establishing new forest plantings (including non-indigenous plantations) which will attract higher priced Kyoto-compliant permits, rather than investing resources in managing existing native forests (be they Covenanted or otherwise) or improving existing carbon stocks (which at best may attract lower priced Non-Kyoto offset credits). Further consultation and due consideration is necessary to fully understand these types of implications.

Reforestation

Some additional comments in relation to reforestation are provided below.

- Reforestation on a large scale (for example >20% of catchment areas) may lead to economic, social and environmental impacts in regional communities. Large scale reforestation of cleared farmland under Managed Investment Schemes has resulted in negative community perceptions in the past.
- It is unclear why impacts on existing native forest (irrespective of age, cover, integrity etc) are singled out as unacceptable. A broader test which considers, on merit, the likely environmental and social impacts of a particular project would be fairer and more appropriate.
- The extent to which proposed reforestation projects can meaningfully align with NRM plans may be overestimated. Many of these plans have not been developed with carbon farming in mind.
- Reforestation could be integrated within appropriate property management plans to help ensure that agricultural productivity is not lost.
- The Commonwealth Government should consider the application of additional incentives to encourage biodiverse carbon plantings.

Integrity standards

The Tasmanian Government supports the application of internationally acceptable integrity standards, noting that additionality requirements may exclude many more potential proponents that is commonly appreciated in the broader community.

Additionality

Whilst in theory the application of additionality rules is supported, the Tasmanian Government is not confident that the full implications of its practical effects have been properly considered.

The Tasmanian Government is also concerned that the application of additionality rules will be confusing to most landholders and that projects that produce multiple benefits will be unduly excluded.

Voluntary perpetual covenant schemes

The Scheme's interaction with previous government funding programs needs to be more fully considered, in consultation with state and territory governments.

Tasmania has over 600 participants in voluntary perpetual covenants (covering some 75,000 hectares) and this represents a very large group of landholders who will be disadvantaged by their long-term commitment to conservation.

200 of Tasmania's covenanted landowners have received no funding for their commitment, and many of the balance have been paid a limited amount on a per hectare / per annum basis. This is in contrast with participants in the recently concluded Forest Conservation Fund, who received average prices that were much more in tune with market value (per hectare).

Furthermore, a number of landowners have time-bound covenants and other agreements for between 5 and 24 years. These agreements will lapse at the agreed conclusion date, but will require landowner action to remove them from the title. Current wording in the Scheme could also disadvantage these landowners. A question of equity should be raised at this point as those landowners with time-limited agreements had significant discounts applied to their payments, in view of the shorter time-frame. For some, participation in future initiatives such as CFI was the reason that they took this option.

The conservation benefits of covenanting programs are manifold, and maintaining good-will within the

community towards such programs is essential for their continued existence. Excluding altruistic individuals from the CFI would be extremely damaging to the reputation and operation of these highly worthwhile conservation initiatives.

A reasonable argument exists that the additionality of reforestation and forest protection/management projects previously funded under government programs should be retrospectively assessed, given that in some cases landholders have contributed significant resources of their own to these projects.

Further (more detailed) information regarding the financial aspects of Tasmanian covenanting programs is available on request.

Permanence

The Tasmanian Government supports the concept of using conservation covenants as an approach to help ensure permanence. It should, however, be noted that the process of covenanting is complex and carries fairly high administrative costs.

It should also be appreciated that the maintenance of forest carbon stores for 100 years may represent significant future costs for project proponents, as advice from the forestry sector indicates that few species have an assured 100 year life span.

Insurance

The Scheme appears to require some project proponents to take out insurance for potential carbon stock losses. The Tasmanian Government is unclear whether appropriate insurance is widely available across regions.

Loss of carbon stock through natural disturbance

Natural disturbances could significantly impact large areas of carbon stocks established under the Scheme. Given the 100 year maintenance requirement for forest carbon stocks, it is highly likely that many offset projects will be threatened by fire, drought, flood, pests or disease.

It appears unreasonable to expect Scheme participants affected by natural disturbances to relinquish credits in the event that their stocks are lost through such natural events (and that they are not re-established). In the event of natural disasters, landowners will often lack the financial or human resources to re-establish stocks.

Avoided deforestation

It appears that the proposed crediting arrangements for avoided deforestation projects are to be used as a risk management tool. These arrangements may suit large company-based projects but will encourage fewer farm-based projects. It is unclear why a risk of reversal buffer cannot be used to manage the risks associated with these projects.

Leakage

Nil.

Scheme processes

Project approval

Project approval processes will need to be clearly explained to proponents and they will likely require clear assistance to navigate the process and assess the potential costs of approval (including any methodology development).

Register of offset projects

It is unclear why landholder names are required in the Register.

Crediting periods

It is unclear why, in the event that an activity undertaken under the Scheme becomes mandatory, existing projects should become ineligible under the Scheme.

Reporting

Reporting costs will be of significant concern for many potential proponents. The Commonwealth will need to consider ways to provide indicative reporting costs to landholders to ensure that they are able to appropriately assess whether it is in their interest to become involved in the Scheme.

Crediting

Nil.

Transfer or termination of projects

Nil.

Methodology approval

The methodology assessment process is supported.

It will be very important that approved methodologies be clearly and simply communicated to landholders to ensure that they are able to properly assess whether or not they can, or should, participate in the Scheme.

Taxation treatment of credits

Any additional comments

Empty comment box