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Standing Committee on the Environment Climate Change and the Arts

Submission on bills presented on 24 March 2011

Carbon Conscious is actively involved in the Australian carbon market having listed on the ASX in May 2008. Our business proposition is the creation of stake holder value through the sequestration of carbon from the atmosphere via the planting of native Mallee Eucalyptus trees in the wheat belt areas of Australia.

Carbon Conscious has been successful in attracting capital to its native tree plantations having planted approximately 8,500 hectares or 8.5M mallee trees in the wheat belt of Western Australia over the last three years. These tree plantations have been established on a permanent basis and will provide significant environmental benefit.

Since the demise of the CPRS legislation Carbon Conscious has been actively encouraging the adoption of some form of recognition for land based carbon abatement activities. In particular having contracted with third parties for plantings the demise of the CPRS legislation and the Greenhouse Friendly program left no effective manner for our Company to recognize carbon abatement on client's projects.

As one of the few companies to have survived the indecision and inaction over the last 3 to 4 years in the carbon space we are actively engaged in achieving outcomes that we believe will be beneficial for our company, for rural land owners and he community at large.

With this in mind we are supportive of the introduction of the Carbon Farming Initiative legislation and encourage the Committee to provide positive commentary on same.

For the benefit of the committee we make the following high level comments:

Carbon Conscious contends that Carbon Farming Initiative is a positive legislation move that will facilitate further investment and opportunity into the carbon market.

- **The rejection of the CPRS legislation and the demise of the Greenhouse Friendly program has created a vacuum for the valid recognition of land based carbon sequestration activities. The Carbon Farming legislation provides an adequate mechanism to recognise such programs.**

- **The Carbon Farming Initiative is effectively a supply side solution providing the mechanisms for methodology approval and recognition of credits over project life. This is an important first step and goes toward further developing the industry. To enable significant investment into such projects, domestic demand side measures must be developed such as linking of Kyoto**

compliant CFI credits to proposed carbon tax schemes, emission trading schemes, government funded programs.

- **It is encouraging that the CFI legislation allows international recognition of Australian land based carbon credits internationally via the issue of Assigned Amount Units (AAU's) under the Kyoto protocol. The demand for such credits will largely be dependent on negotiated outcomes at the UNFCCC on second commitment period (2013-2020) arrangements and potential Australia participation in same.**

- **Australian has committed to a target reduction of Greenhouse Gas Emissions by 2020 of at least 5% on 1990 levels. Irrespective of political disagreement around the method to achieve such a reduction (i.e. Carbon tax, ETS and or Government funded "direct action") a valid well designed system for the recognition of land based carbon offsetting is vital to the achievement of this outcome.**

- **We reject the notion that the Carbon Farming Initiative is akin to failed timber based Managed Investment Scheme's projects. Specifically we note:**

  a. **There are no preferred taxation treatments associated with the Carbon Farming legislation.**
  b. **As noted above the Carbon Farming legislation is a supply based solution and will itself not drive significant demand for tree projects.**
  c. **Tree projects for carbon sequestration will be evaluated against a back drop of current and future carbon price(s). In the main these evaluations will be undertaken by professional organisations looking at opportunities to the hedge their liabilities and be cognoscente of the risk reward requirements.**
  d. **Land best served for carbon sequestration will be less productive agricultural land that was over cleared. Over the long term the environmental benefit of permanent tree plantations**

At appendix 1 of this document we have provided a summary of our business operations and some key matters pertaining to program for the benefit of the committee. If members of the Committee would like further information I would be only too pleased to oblige.

Yours faithfully

Peter Balsarini

Chief Executive Officer

Appendix 1

Summary of Key Facts of Carbon Conscious Program	
Business History	Carbon Conscious Limited (CCF) formed in January 2008 Listed on the ASX May 2008 (raised approximately $7M) CCF was formed to plant native Mallee Eucalypt trees in the wheat belt areas of Australia for the purpose of carbon sequestration. The business identified that this was a value add opportunity for all stake holders including the farmers within the scheme and that it provides significant environmental risk mitigation strategy for all parties.
Sequestration Process	Carbon sequestration through trees relies on natural photosynthesis which uses Carbon Dioxide from the atmosphere along with sunlight in a chemical reaction to produce oxygen and glucose. Hence Carbon Dioxide from the atmosphere is captured in the structure of each tree.
Tree Species	Range of Mallee Eucalypt species targeted at different soil types and climate preferences. Eucalypt loxophleba (Smooth Your Gum) generalist species grown across WA Eucalypt borealis - grows on reddish sands through to heavier loam soils Eucalypt polybractea - suited to most soil types, slightly alkaline to acids soils Eucalypt plenissima – preference for reddish sand and sandy loam soils.
Planting Configuration	Targeting 10% - 15% of any given farm as follows: Belt plantings - 10m wide consisting of 4 rows of seedlings. The belt can be as long as the farmers paddock allows. The belt is integrated into the farmer's paddocks at a ratio of approximately 10%. I.e. 100 metres of cropping 10 metres belt another 100m of cropping. Block plantings – planting on country generally economically or unviable to the farmer in cropping rotations. Block plantings may be on country that has soil types such as Wodgil and Morrell soils and generally subject to wind erosion.
Soil Type	Sandy soils, loams and some clay soils in low to median rainfall areas (250mm to 450mm per annum).
Plantings to date	Planting of 8,500 hectares or 8.5M trees in the wheat belt of Western Australia between 2008 & 2010. Substantial contracts with large "carbon emitter" parties (Origin Energy & BP Singapore) facilitating the majority of plantings. Contracts were negotiated in the lead up to the vote on the CPRS legislation. This proposed legislation was prescriptive in the recognition of bio sequestration as a carbon store.
Accreditation	Application for accreditation with the Department of Climate of Change at present to be an accredited supplier of Carbon Credits under the Australian

	Government's Greenhouse Friendly Program™. Application includes systems and procedures processes to ensure ongoing ability to manage project.
Why Mallee Eucalypt Trees	Native Tree ideally suited to local conditions. Tree regenerates after fire Lives 100 + years Significant environmental benefits (see below).
Key Commentary	1. Target Land -Land targeted for the Carbon Conscious project is in low rainfall areas 250mm – 400mm rainfall per annum. High rainfall / high value agriculture land is not a target in the project. 2. Land for food production - In a well planned and managed plantation of mallee trees there will be no net loss of agricultural productivity from planting of 10% - 15% to native trees. This is due to the environmental benefits associated with the trees. 3. Salinity Reduction - the planting of native mallee trees provides significant reduction in the ground water table which in turn reduces the effect of salinity. Salinity is the major environmental issue faced by grain farmers today. The majority of farmers undertake native tree plantings (often funding by government) in an attempt to reduce the effects of salinity. A project such as this provides a fully funded alternative to farmers. 4. Top Soil Degradation -strategically located plantings provide required wind breaks in the farm thereby maintaining existing top soil and assist in boosting productivity. 5. Unproductive soils -significant areas of the Western Australia wheat belt are economically unviable for food production due to the soil quality but are however ideally suited to growing native trees. 6. Reintroduction of native trees - Farmers have been clearing native trees for hundreds of years. In some cases this was part of the agreement that they undertook with the WA State Government in order to achieve freehold title to the property. The project represents a reintroduction of native trees on a substantial scale albeit in a more planned manner. 7. Wild Life Habitat -The trees planted are native and provide a habitat for indigenous flora and fauna. 8. Alternative Farm Income - The model provides alternative farm income in the form of one off cash payments for land value, share of carbon receipts and ongoing revenues for management services performed. 9. Natural Resource Guidelines - the plantings are Kyoto compliant and are planted and maintained accordance with Oil Mallee Industry Code of Practice. 10. Cleared Land - Only land cleared prior to 1990 will be eligible for

	planting as carbon sink. 11. Title Issues - Western Australia legislation allows the creation of a carbon right. This carbon right is registered on the property title. In addition to the carbon right a carbon covenant is also agreed and lodged which outlines the term and conditions of the right. Under the covenant the land owner is prevented from clearing the trees for a period of 70 years.
Example Farmer Issues	Farmer A– mallee plantations as belts across the farm will reduce wind erosion on light soils without reducing paddock productivity, especially from grain production. Farmer B – mallee plantation on acid soils enables use of land which now cannot provide viable agricultural production. Real Estate Agent– many light land properties on the market can't be sold because of poor productivity. Mallee establishment allows such farmers to reduce mortgage levels by freeing up capital from less productive land over cleared. This helps achieve better viability over the balance of the farm in the long term and helps encourage sale of land which is otherwise unsalable.