

30 October 2014

Climate Change Authority
GPO Box 1944
Melbourne VIC 3001

Via submissions@climatechangeauthority.gov.au

We would firstly thank the Climate Change Authority for this opportunity to make a submission. Country Carbon has been active with the CFI since it was first introduced in 2011. We have 9 carbon farming projects registered to date in the area of savanna burning and have multiple projects in various stages of registration today covering over 4 million hectares. Country Carbon works with landholders to deliver carbon abatement via a variety of CFI methodologies including sequestration and emissions avoidance. Country Carbon has received no government funding and is a privately owned business dedicated to delivering Australian carbon credits from Australian farmers.

The overriding factors have been the challenges of investment uncertainty, methodology availability and legal frameworks.

Investment Uncertainty

This has had the most negative impact on the first years of operation of the CFI as the politics of climate change were impacting on landholder ability to participate. In discussions with banks it became clear very early that there were no forward prices for ACCUs beyond the date of the next election. The implications were that banks were unwilling to finance capital investment of carbon farming projects because of the risk. Investment in the CFI was considered too risky which is to be expected when there was not even a price curve of forward prices for 5 years. For example, tree planting for carbon sequestration requires a long-term forward price, as the investment is not recovered until a few years later. (This has been too much of a financial risk for landholders to carry when climate change policy was changing parameters every 6 months).

Only methodologies that had low risk and quick payback could be considered for the farming enterprise. This has had the effect of dampening CFI project growth very significantly until such time investment certainty is restored.

Methodology availability

ACCUs require methodologies and these require scientific investment. If more methodologies are available then there is greater supply of ACCUs. The majority of landholders have been unable to participate in the early stages of the CFI because the early methodologies were limited to those requiring capital investment.

The introduction of avoided deforestation methodology has increased supply but further improvements are required. Our dealings with methodology development has tended to show that the scientific community in Australia was not interested in methodology development for the CFI and most market participants were not well qualified to submit their own methodologies that would pass through the DOIC. It was not that the additionality requirements were too strict but that there were too few resources for developing methodologies.

The key issue here is that methodology development has been under-resourced. This has been greatly improved with the recent work done by the Department of the Environment to provide more methodologies to industry. In discussions with the Department of Environment it is clear that they do need some more people working in this key area as we have landholders waiting for the Department to issue more methodologies but the teams there are stretched. Some more scientists working in the Department of Environment on methodology development for agriculture would be invaluable.

Legal frameworks

The legal environment has been a major challenge for the CFI as carbon rights are a new concept to State Land Title Offices and the legal industry in general. It has been costly and time consuming to navigate for landholders to deal with carbon rights on land titles. The banks also lacked established policies for carbon rights and every dealing has required a great amount of consideration due to the need for a policy to be developed internally. Most of the sequestration projects have been delayed over 12 months in red tape just to try and sort carbon sequestration rights between land titles, banks and administration. It is not something that can be changed overnight but it is something that has had to develop from the legal industry.

The value of the CFI ACCU is in the way in which 1 tonne of CO₂ is registered through the Australian legal system. There are no shortcuts and buyers of ACCUs do get exactly what they pay for which is very different when you purchase international permits from countries that do not have the same rigorous legal system standards.

The good news is that much of these legal frameworks are only just now being sorted in the legal system. The land title offices are slowly coming to terms with carbon rights and many of the banks have responded to the issue with the establishment of systems and procedures. The legal frameworks are moving into place to assist the industry.

Moving forward

There will be a massive increase in volume from the land sector in the next 3 years. In no way should this be linked to the first 2 years of the CFI. This is going to be driven by avoided deforestation and new methodologies for the land sector that are keenly awaited by landholders. Much of Australia's target can be met by avoided deforestation methodologies alone. We do not think soil carbon will be the main driver at all but it will be from reduced land clearing of very marginal country that is more productive carbon farming than grazing.

Kind regards,



Nicholas Cameron
Director
Country Carbon
www.countrycarbon.com.au