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Via email: submission@climatechangeauthority.gov.au

ALFA (NT) Limited is an Aboriginal-owned carbon business working in partnership with Traditional Landowners and Aboriginal ranger groups over more than 80,000 km^2 of Aboriginal freehold land (under the *Aboriginal Land Rights Act (NT) 1976*) in Arnhem Land in the Northern Territory of Australia. ALFA is the registered project proponent for five projects which generate Australian Carbon Credit Units (ACCUs) through the Savanna Burning methodology and is currently the largest producer of Savanna Burning ACCUs. ALFA is a not for profit Company that derives its income from the sale of ACCUs. The proceeds from the sale of carbon credits are reinvested to fund the on-ground land management activities of the Aboriginal ranger programs within the fire project areas in Arnhem Land. The engagement in savanna fire management through the CFI/ERF provides a critically important source of income and employment and is integral to the environmental, social and cultural fabric of Arnhem Land in which ALFA operates (Figure 1).

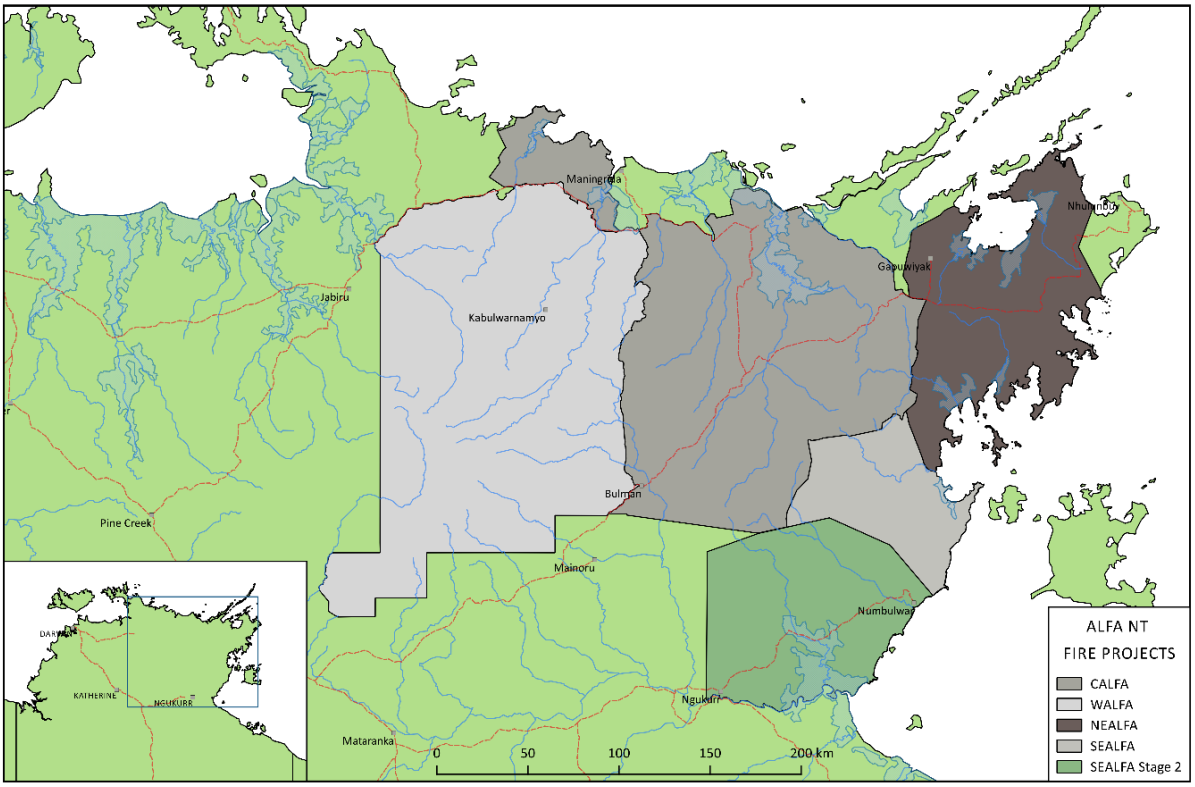
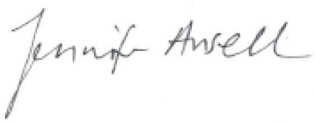


Figure 1: The location of ALFA registered savanna burning projects

ALFA welcomes the chance to comment on the Climate Change Authorities 2020 review of the Emissions Reduction Fund. ALFA has been operating as a project proponent with the CFI/ERF since 2014 and address the relevant consultation questions as they relate to ALFAs experiences to date with respect to engagement with the Savanna Burning Methods. Please find attached our comments in relation to the consultation questions. This submission is not made in confidence.

Please contact me if you would like any further information.

Yours sincerely



Jennifer Ansell

CEO, ALFA (NT) Limited

COMMENTS ON SPECIFIC QUESTIONS POSED BY THE ERF REVIEW CONSULTATION PAPER

OVERALL PERFORMANCE OF THE ERF

How is the ERF performing overall?

ALFAs experience to date with the day to day operational aspects of the ERF and the CER has been very positive. Information provided on the website and directly by staff members is informative and helpful and the decision making is consistent and in line with the legislation.

ALFA notes the following recent positive outcomes including:

- improved consultation with the Indigenous carbon industry
- the recent trial of the optional delivery contracts under the ERF
- improvements to the ANREU register to support provenance identification of ACCUs

What parts of the ERF could be improved and how?

Whilst the day to day operational aspects of the ERF are working well, ALFA notes the following aspects of the ERF which could be improved to maximise abatement opportunities, engagement in carbon methodologies and stimulate carbon industry development.

Carbon Abatement Contracts - least cost abatement and fixed deliveries

The least cost abatement and fixed delivery purchasing principles of the CER Auctions have been designed to deliver specific outcomes for the Australian Government. The actual contracting and auction processes are relatively straightforward and there is information available to assist in navigating the process. The challenging part relates to being awarded a contract at an appropriate price for your particular project and ensuring supply at that price over the life of the contract. The fixed delivery principle introduces supply risk to carbon producers operating under annually variable methodologies as is the case with the savanna burning method.

The initial volatility of carbon legislation and the introduction of direct action climate policies produced a high level of uncertainty for project proponents in relation to carbon markets. The initial early drive to push carbon prices down whilst stifling other markets, created a period in which early adopters of ERF methodologies necessarily committed to long term ERF carbon abatement contracts in the absence of any other sales opportunities. In the case of savanna burning, this pressure was keenly felt given that the sale of ACCUs is required to actually fund the eligible project activity (i.e. fire management).

ALFA notes the recent trial of the optional delivery contracts and sees a significant role in the expansion of these contracts to both new carbon abatement contracts as well as to existing carbon abatement contracts. In the case of savanna burning projects this would act to eliminate the risk that income from the sale of ACCUs is insufficient to fund fire management. In turn, this would both ensure and increase the supply of ACCUs to the ERF.

Recommendation: That optional delivery contracts are expanded to include existing and new carbon abatement contracts

Expansion of optional delivery contracts

ALFA congratulates the CER in the trial of the optional delivery contracts whereby the ERF assists to reduce price uncertainty and risk for proponents by giving them the right (but not the obligation) to sell ACCUs at a set, pre-determined price during a specified period. As described above, ALFA sees an expansion of these contracts as critical for current and future proponents to manage the creation and supply of ACCUs to the ERF.

Crediting period extensions

Currently, the CFI Act only allows one crediting period, which for each of the 2018 savanna burning methods (and previous methods) is 25 years. There is a discretion for this crediting period to be extended once, with the extended duration uncertain until this occurs.

An important feature of savanna burning projects, which is evidenced across the north of Australia, is that, without support, the scale of landscape level burning undertaken under a method does not become business as usual. This is due to a combination of factors, the most significant being the cost of undertaking landscape level burning, which is currently prohibitive without the income derived through the sale of carbon credits.

Because of the unique nature of the industry, these projects will always be 'additional', and as such, the application of a 25-year Crediting Period is both arbitrary, and inconsistent with the achievement of long-term emissions reductions. It is important that opportunities are explored to increase the Crediting Period of the EA method and the EA component of the SEQ method, in order to provide projects with enhanced long-term certainty.

Recommendation: That the CFI Act is amended to allow longer maximum crediting periods, and subsequent crediting periods.

Transition period between the baseline end date and project start date

A fundamental aspect of savanna burning carbon accounting is comparing project year outcomes relative to a baseline. The baseline amounts will be locked in for at least 25 years (maybe longer depending on future policy/methods), so the baseline will influence carbon project outcomes for generations. The baseline value is very important, it is a significant factor in determining if a project will be viable or not.

Transition periods between the end of the baseline and commencement of the project were possible under earlier EA methods (but not in the 2015 method), recognising that proponents should not be negatively impacted on (through reducing baseline emission amounts) by undertaking capacity building fire management activities immediately prior to project registration and particularly through the often lengthy period of project consultation and planning.

However, transition periods are no longer allowed for any new project. In response, savanna burning proponents must then choose between a) undertaking preliminary fire management and reducing baseline emissions (eroding the baseline) during the project consultation phase (producing long term consequences on future carbon credit production, project viability and the long term sustainable

management of fire), b) not managing fire during the developmental or consultation period of a project (with associated deleterious environmental and social outcomes) or c) rushing project registration and delivery of the activity (with consequences for consultation, joint planning and management and establishing and gaining free, prior and informed consent with Aboriginal Traditional Landowners).

Recommendation: That the ERF reinstate a time-bound mechanism to allow for a transition period between the baseline period and a project start date.

Method development, approval and reviews

In the case of savanna burning, there is continuing work required to refine and update the method. There are also new opportunities to account for additional carbon sources. For example, research is currently underway to develop a new method that will include carbon sequestered in standing living biomass as a result of savanna burning activities. The Department of Industry, Science, Energy and Resources has developed a "Savanna Burning Roadmap" in an attempt to map out the body of work required to continue to develop, review and update the savanna methods. However, the implementation of this roadmap is unfunded and no one Department or Agency has oversight and responsibility for the delivery of the roadmap.

Recommendations:

- **That delivery of the savanna burning roadmap is prioritised and funded**
- **That there is a clear and open process to develop new methodologies, and open tenders for developing identified prioritised methodological gaps**
- **That clear and transparent processes are in place to review methods in order to address issues, omissions and inaccuracies with existing methods should this be required.**

MAINTAINING INTEGRITY AND OPTIMISING GOVERNANCE OF THE ERF

Do you have any views on the operation of the offsets integrity standards and the additionality provisions as key principles supporting the integrity of abatement under the ERF?

The ERF's integrity standards are a necessary component to ensure that methods and carbon credits issued under methods represent real emissions reductions that may be counted towards meeting Australia's international emissions reduction obligations.

Specifically in relation to additionality, methods should result in carbon abatement that is unlikely to occur in the course of ordinary events. ERAC (2019) states that the Emissions Reduction Assurance Committee interprets this standard as requiring the substantial majority of the abatement likely be credited under the method would not occur in the absence of the incentive provided by the scheme.

As described above, because of the unique nature of savanna burning projects, without specific resourcing the scale of landscape level burning undertaken under a method does not become business as usual. This is due to a combination of factors, the most significant being the cost of undertaking landscape level burning, which is currently prohibitive without the income derived through the sale of carbon credits

As such, these projects will always be 'additional'. ALFAs experience with Indigenous savanna fire management projects has clearly shown that it takes time to develop capacity. Clearly, savanna fire management that accords with the methodology is "good practice", to which landowning and management groups should aspire. It is "bad practice" to discourage them from taking appropriate steps by incrementally learning and investing. The concept of "newness" and "additionality" as they relate to Indigenous Savanna Burning projects could result in unintended perverse outcomes.

Do you think the governance structures of the ERF remain fit for purpose?

The existing governance structures of the ERF would benefit from greater collaboration, communication and transparency. ALFAs experience in the savanna methods has highlighted issues in regards to method prioritisation, development, approval and review. These are highlighted further in the following section.

What are your views on method prioritisation, method development and method review processes in the ERF? Please include any thoughts on how these processes could be improved, including how the expertise of industry could be better incorporated

The current process of method prioritisation, development, approval and review requires greater transparency and more coordination across departments, agencies and ERAC. ALFA notes that where new abatement opportunities are prioritised, this should also include unlocking new emissions reduction opportunities in existing methods through amendments and reviews as well as the development of new methods.

The release of the 2018 savanna burning method was highly anticipated and encouraged by the savanna burning industry as it represented the first opportunity to account for the sequestration of carbon occurring as a result of undertaking fire management. However, uptake of this method has been severely limited due to significant issues and discrepancies within the method and the CFI Act which exacerbate uncertainty and undermine stakeholder confidence. Whilst these issues were highlighted at the method consultation stage and then post release with the ERF and CER, there has been no resolution in the two years following the release of the method.

ALFA notes and agrees with the following recent recommendations in the King Review (DISER, 2020):

- Establish a new process to provide third parties with the opportunity to propose and prepare ERF methods.
- Establish a pilot method program to test new method ideas and expedite method preparation. Pilot methods would be developed for activities where there is uncertainty in the underpinning science or complications with the design of the method. Proponents of pilot projects would be required to share data and project information to assist in developing the final method.
- Develop and publish a formal policy governing the prioritisation, development and review of ERF methods.

These recommendations build upon earlier policy positions that enabled the initial development of the savanna burning methodology. The savanna burning methodology was developed collaboratively between research scientists in norther Australia and the Australian Government. The method was

built around the trial and implementation of a pilot project, the West Arnhem land Fire Abatement (WALFA) project. WALFA became the landscape scale model upon which the approved savanna burning method was subsequently base.

MANAGING RISKS TO ABATEMENT

What are your views on the suitability of the permanence period discount?

Having only two permanence period options does not necessarily reflect operational capacity or adequately allow proponents to maximise the carbon storage opportunity to its full potential. For example, in relation to the savanna burning sequestration method, ALFA does not consider the option of a 100 year permanence period on Aboriginal Land a possibility. The maximum precedent for similar long term land use agreements is 99 years. As such proponents who operate on Aboriginal Land will necessarily only be able to choose a 25 year permanence period. This does not reflect any decision of the proponent regarding the long term commitment to undertaking the project activity nor does it encourage or enable the proponent to maximise their carbon storage commitments. The ability to commit to a series consecutive permanence periods, with appropriate permanence period discount options would assist in this matter.

In addition, for resource intensive projects like savanna burning, it is critical that the crediting periods and permanence periods match. This would also act to deliver the lowest risk to the Government in terms of the long term maintenance of the activity and storage of carbon.

What are your views on the suitability of the risk of reversal buffer?

Given the lack of choice for a permanence period for sequestration projects on Aboriginal Land as described above, the methodology may overestimate the risk of reversal to the carbon store. For example, a proponent signing up for a 25 year permanence period for a project on Aboriginal Land does not reflect that the participant expects the project activity to finish in Year 26. It simply reflects that the 25 year permanence period was the only applicable choice for the proponent.

What are your views on the risks posed to land-based abatement and the adequacy of ERF and project-level risk mitigation measures?

ALFA notes three significant areas of risk in relation to engaging in the savanna burning methods. The ERF and other Government departments can play a major role in assisting proponents to account for and manage these risks.

1. Policy and legislation
- Uncertainty in relation to extension of crediting periods
- Uncertainty regarding CFI Act amendments to account for sequestration and emissions avoidance in the one method
- Inadequate oversight of methodology development.

2. Method related risks

- The increasing complexity of the method
- The inclusion of key elements of the method in a technical guidance document which may materially affect the projects abatement potential over the life of the project

3. External factors

Climate change is an external factor posing additional risk for savanna burning projects. Climate change projections in northern Australia include an increase in the number of extreme heat days, an increase in the intensity and frequency of droughts, changes to freshwater availability and a loss of freshwater ecosystems. All of these impacts will have considerable effects on fire behaviour in the landscapes in which the savanna burning projects operate. These climate change impacts will likely make landscape-scale fire management more expensive.

The current funding crisis for the North Australian Fire Information (NAFI) online fire mapping tool is another example. Without NAFI, savanna fire projects face the prospect of trying to undertake sophisticated landscape scale fire management in the absence of critical remotely sensed fire information, including past fire history and the success of planned burns in remote areas (through hotspot detection and up to date mapping of fire scars as they occur).

What are your views on the risks to contracted abatement resulting from ERF projects being concentrated geographically and by method type?

ALFA does not see an issue with the geographical concentration of methods. This is an inherent factor related to method eligibility. For example, the savanna burning methods are only applicable to those areas in northern Australia that contain areas of the eight eligible vegetation classes.

OPPORTUNITIES FOR ENHANCING OUTCOMES

What role could the ERF play in future economic recovery efforts?

The development of the Indigenous carbon industry as a result of savanna burning projects has led to the emergence of a significant remote Indigenous carbon economy. This industry supports a broad range of direct and indirect economic outcomes for Aboriginal-owned enterprise on Aboriginal land.

The ERF can play a role in supporting regional and remote communities by progressing amendments that facilitate adoption. For example, in regards to the savanna burning methods these include:

- Provision of funds to assist with start-up costs and engagement of Aboriginal communities in the savanna burning method. The former Indigenous Carbon Farming Fund (ICFF) was significant in supporting much of the early adoption of the savanna method by Aboriginal communities.
- Progressing CFI Act amendments to facilitate the inclusion of emissions avoidance and sequestration in a single method
- Review of scientific data within the method
- Review of the savanna burning method technical guidance document
- The inclusion of an additional vegetation type for Western Australia (the Pindan vegetation type)

Should the ERF more explicitly address climate resilience and impacts? If so, how?

The ERF is currently the Australian Government's flagship policy in relation to climate change and as such it is appropriate that the ERF more explicitly address climate resilience and impacts. The ERF could recognise projects that contribute positively to address additional climate resilience through premium carbon credit pricing.

Is there a need for enhanced guidance on how to manage ERF projects for multiple benefits? If so, should this be part of the ERF or complementary programs and policies?

The current policy of least cost abatement purchasing principles has no way of recognising and valuing multiple benefits, and in particular, the co-benefits associated with Indigenous participation in the carbon industry. Savanna burning carbon credits produced by Aboriginal projects are highly valued and currently sell well in the voluntary market. Expansion of the flexible delivery contract option to currently contracted projects that demonstrate multiple benefits (e.g. Aboriginal savanna burning projects) would further support the developing niche market for high priced Aboriginal carbon credits and co-benefits.

References

ERAC (2019) Information Paper: Committee considerations for interpreting the Emissions Reduction Fund's Offsets Integrity Standards. https://publications.industry.gov.au/publications/climate-change/system/files/resources/fb21a1e1-1692-4f74-b71b-9bfcfddc6f85/files/erac-offset-integrity-standards-paper.pdf (accessed online 20th May 2020).

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