

13th May 2011

Mr Stephen Palethorpe
Senate Standing Committee on Environment and
Communications
PO Box 6100
Parliament House
Canberra ACT 2600



Via email: ec.sen@aph.gov.au

Re. Senate Committee Review - Carbon Credits (Carbon Farming Initiative) Bill 2011

Dear Mr Palethorpe

The Minerals Council of Australia welcomes the opportunity to provide a submission to the Senate Committee Review of the Carbon Credits (Carbon Farming Initiative) 2011.

As you are aware, the Minerals Council of Australia (MCA) represents Australia's exploration, mining and minerals processing industry, nationally and internationally, in its contribution to sustainable development and society. MCA member companies produce more than 85 per cent of Australia's annual mineral output. The MCA's strategic objective is to advocate public policy and operational practice for a world-class industry that is safe, profitable, innovative, environmentally responsible and attuned to community needs and expectations.

The minerals industry plays a major role in the management of Australian landscapes. While the mining footprint represents less than 0.02% of the Australian landmass¹, the total area actively managed by the industry is significantly larger. Given this, legislation targeting primarily agricultural opportunities within the land sector may miss other key stakeholders including the mining industry, who can play a role in unlocking Australia's abatement potential.

Of primary concern are the application of the concepts of 'Additionality' under Division 6 (ineligibility of carbon credits due to activities being required under other legislation) and 'common business practices'. It is important that these concepts are not so rigidly applied so as to ignore opportunities to encourage increased carbon storage in the landscape and enhance associated environmental and social outcomes.

The MCA considers the following key areas of opportunity in the development of carbon credits under the proposed Carbon Farming Initiative.

Concurrent Land Management Activities

In addition to the mining operation itself, the minerals industry plays a significant role in managing the landscape in which it operates. Management activities undertaken by the industry vary widely, however these may include: general landscape management (e.g. fencing, erosion control), pastoral activities, feral animal and invasive plant species control, the development of vegetated zones/buffer zones and general biodiversity management practices which form part of the industry's social license to operate. Many of these concurrent land management activities, which are not directly related to the mining operation, sit outside of regulatory requirements.

¹ Landuse and Land Management Information for Australia - Workplan, ABARES 2010 (Category includes waste and mining)

It is important to ensure that in the development and implementation of the proposed Carbon Credits (Carbon Farming Initiative) Legislation, opportunities to realise the carbon abatement potential of concurrent land management activities should be recognised.

By enabling the potential to realise carbon credits and/or abatements through concurrent land management practices undertaken by the minerals industry (e.g. reforestation, increasing soil carbon, fire management through reduced carbon intensity burns), the types of activities encouraged would contribute to the enhancement of environmental/biodiversity values.

Environmental Offsets

Environmental Offsets can form part of regulatory requirements for the minerals industry where impacts on biodiversity values cannot be avoided or mitigated. These environmental offsets may include:

- Establishment of conservation areas.
- Rehabilitation of degraded lands.
- Improvements and investment in the management of existing conservation areas.

Under Commonwealth or State/Territory environmental regulatory regimes, where a direct offset is required (i.e. rehabilitating or setting aside land for conservation purposes), the minerals industry is required to provide an area of environmental offset which is often many times larger than the area of initial disturbance. These offset areas are intended to be conserved in perpetuity. This significant potential net increase in landscape carbon storage is not eligible for abatement recognition under the proposed criteria for 'additionality'. Furthermore, the potential contribution to the national carbon abatement targets cannot be realised.

While environmental offsets may be required as part of existing regulatory requirements, companies can voluntarily develop environmental/biodiversity offsets outside of what is prescribed. Given this, it is important to ensure that these contributions by the industry above what is prescribed through existing regulation can be recognised under the proposed carbon credits/carbon farming initiative.

Mine Closure Works Additional to Prescribed Requirements

Throughout and at the end of mine life, minerals operations undertake significant rehabilitation works to stabilise and rehabilitate the area impacted by the operation in accordance with the mine closure plan and regulatory requirements. The works often include revegetation/re-forestation activities (which are ineligible for carbon crediting due to the additionality requirements).

As part of the progressive rehabilitation and closure process, companies may voluntarily choose to undertake re-forestation/revegetation works beyond what is prescribed to enhance the environmental or social values of the landscape in which they operate. The opportunity to realise carbon credits/abatements through this process should be considered as part of the proposed Carbon Farming Initiative. This inclusion would also encourage mining operations to realise and enhance the carbon store potential of rehabilitated areas, which would also provide benefit through improving the associated environmental values within the landscape.

Regional/Social Opportunity

The realisation of carbon credit/abatements as outlined above may provide opportunities for Indigenous groups or communities. By giving the landscape a carbon value, opportunities may emerge where mining operations may relinquish land management responsibility under agreement with an Indigenous community (represented by a recognised offset entity under the proposed legislation), in exchange for access to the carbon credits associated with the land. Such opportunities may provide alternative economic and social benefits in terms of providing a strategy for the long term sustainability of Indigenous communities and the management of that land.

Summary

The potential to realise carbon credits through activities undertaken by the minerals industry as outlined above has a number of potential benefits including:

- Recognition and contribution towards achieving Australia's Greenhouse Gas emissions reduction targets under the Climate Change Convention and the Kyoto Protocol (which forms the first objective of the proposed legislation);
- Encouraging the enhancement of environment and biodiversity values of land under management through the recognition of concurrent land management, offset and rehabilitation activities undertaken by the industry outside of prescribed requirements.
- Reducing risks associated with long term management of landscapes post mining. Realisation of social and regional economic benefits by enabling the creation of carbon credits and potential transfer of credits and management responsibilities to regional groups.

There are significant potential opportunities and flow on benefits presented by the proposed Carbon Farming Initiative. However, it is important to ensure that any proposed legislation can be applied broadly and provides suitable flexibility to encourage carbon storage in the landscape, enhance environmental values and realise potential social and economic benefits to regional and Indigenous communities.

Yours sincerely,

MELANIE STUTSEL

DIRECTOR – HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY POLICY