Australian Government

Department of Climate Change and Energy Efficiency

Submission to the Senate Finance and Public Administration Committee Inquiry into Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures

19 March 2010

Senate Finance and Public Administration Committee Inquiry into Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures

Department of Climate Change and Energy Efficiency submission

Background

The implementation by state and territory governments of legislation for the sustainable management of native vegetation has contributed to reductions in rates of land clearing in recent decades.

On 4 February 2010, the Senate agreed that the Standing Committee on Finance and Public Administration would hold an inquiry into the matter of native vegetation laws, greenhouse gas abatement and climate change measures.

The terms of reference are:

(1) The impact of native vegetation laws and legislated greenhouse gas abatement measures on landholders, including:

   (a) any diminution of land asset value and productivity as a result of such laws;

   (b) compensation arrangements to landholders resulting from the imposition of such laws;

   (c) the appropriateness of the method of calculation of asset value in the determination of compensation arrangements; and

   (d) any other related matter.

(2) In conducting this inquiry, the committee must also examine the impact of the Government's proposed Carbon Pollution Reduction Scheme and the range of measures related to climate change announced by the Leader of the Opposition (Mr Abbott) on 2 February 2010.

This submission addresses aspects of the terms of reference related to greenhouse gas abatement measures.

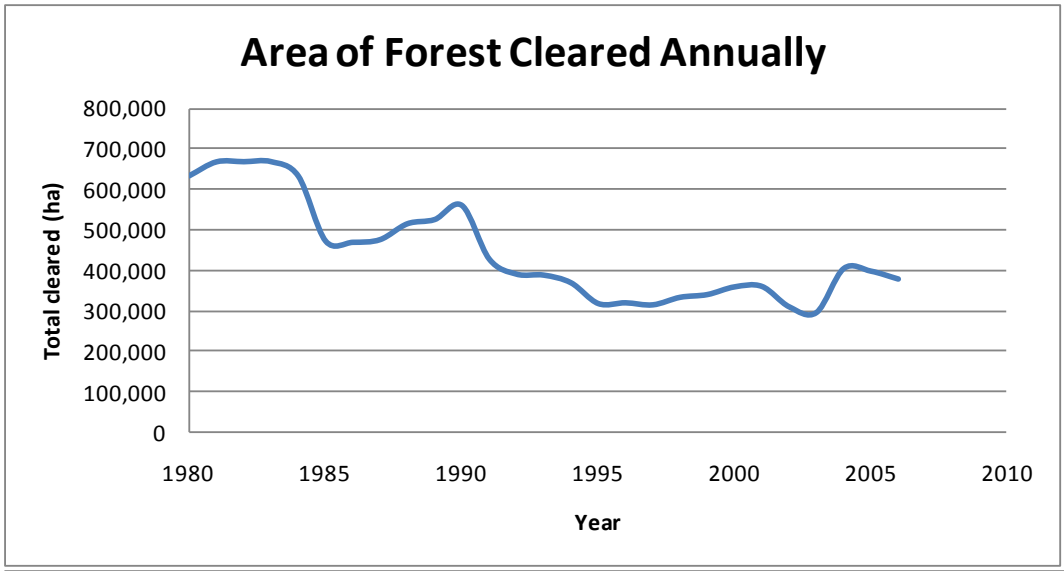
The Department of Climate Change and Energy Efficiency (DCCEE) leads the development of Australia's climate change policy. DCCEE advises on emission reduction policies (including carriage of Australia's international climate change negotiations and design and implementation of the Carbon Pollution Reduction Scheme) and policies on adaptation to the impacts of climate change. DCCEE also deals with renewable energy programs, energy efficiency, greenhouse gas abatement programs, and community and household climate action.

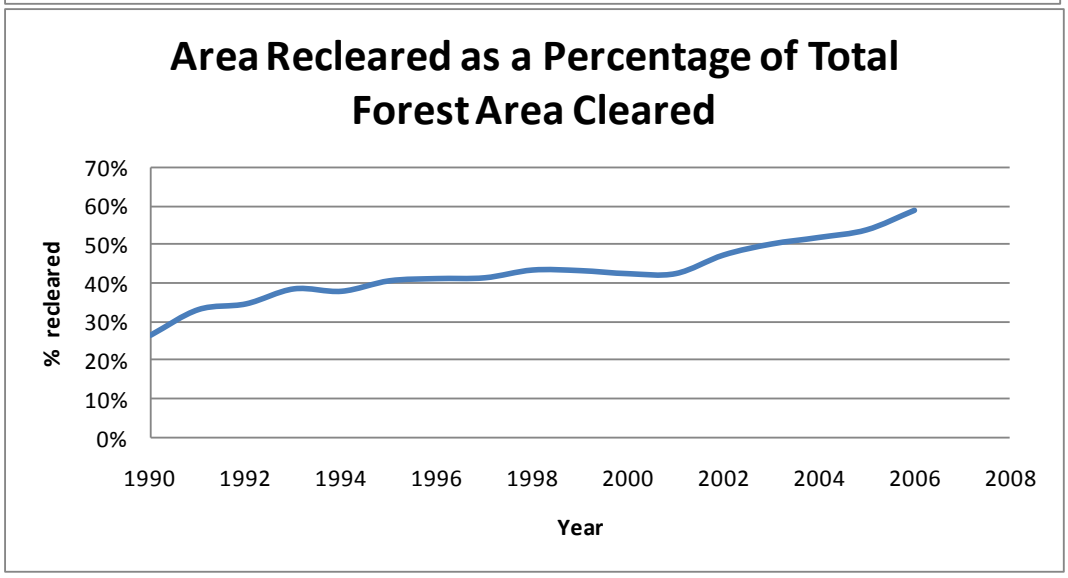
Land clearing and Deforestation in Australia

'Land clearing' is a generic term variously used to describe the removal of forest, non-forest woody vegetation, and sometimes native grasses.

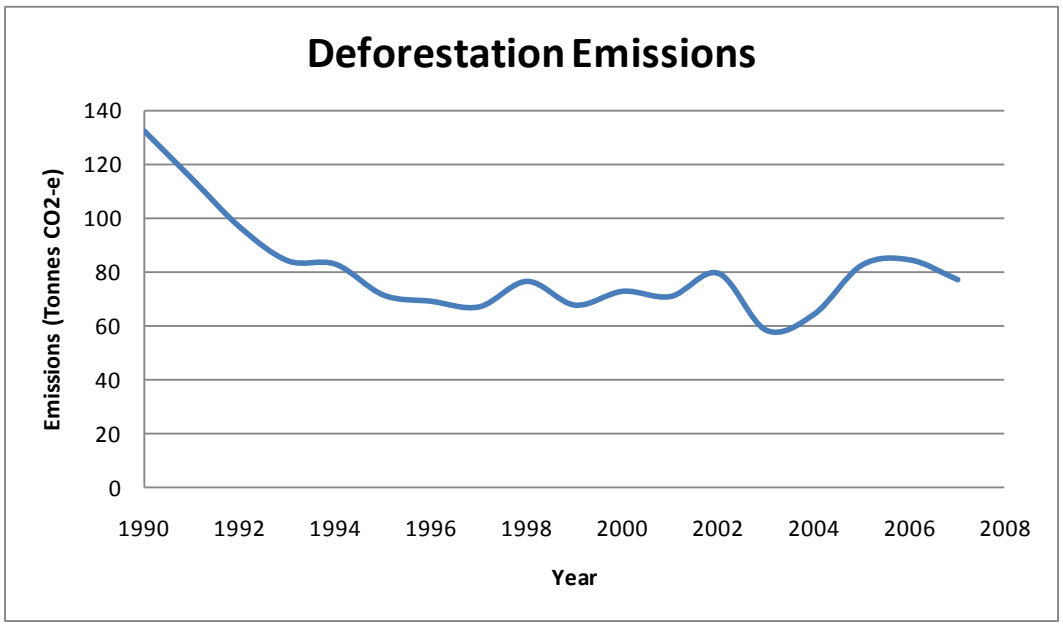
The international greenhouse gas emissions accounting framework under the Kyoto Protocol specifies which emissions sources and sinks count towards Australia's target for the first Kyoto commitment period (2008-12). Deforestation is defined under Kyoto Protocol rules as "the direct human-induced conversion of forested land to non-forested land" on land that was forest on 1 January 1990. The Australian definition of a forest for the purpose of Kyoto Protocol accounting specifies a minimum area of 0.2 hectares, with at least twenty per cent tree crown cover and the potential to reach a height at maturity of at least two metres. Deforestation occurs when forest cover is deliberately removed and the land use changes to pasture, cropping or other uses. Deforestation represents a subset of total land clearing activity.

The following graphs illustrate trends in Deforestation activity across Australia. The total area of forest cleared annually includes first-time transition of forested land to other land use and clearing of regrowth on land that was previously deforested (reclearing). Reclearing has increased in proportion to first-time conversion since 1990.





Once land has been Deforested, greenhouse gas emissions and removals on that land remain in the national Deforestation accounts. Emissions from reclearing if the land returned to forest following the initial land use change are included in emissions estimates. Emissions and removals from forest harvest and regrowth where no land use change occurred are not included, in accordance with the Kyoto Protocol rules.



National emissions from Deforestation declined from 132 million tonnes (Mt) carbon dioxide equivalent (CO_2-e) in 1990 to 77 Mt CO_2-e in 2007. Much of the reduction in emissions from Deforestation since 1990 occurred before consideration of greenhouse gas emissions targets.

Emissions over the first Kyoto commitment period are projected to be 49 Mt CO_2-e per annum. This represents a 63 per cent decline from the 1990 level. The projections take into account the anticipated effects of recent Queensland and New South Wales Government vegetation management legislation reforms (see Policy Context section below).

Land clearing rates in Australia are influenced by factors such as market forces, technology change, climatic events, e.g. drought, and government policy. The Government's National Carbon Accounting System report *Land clearing: a social history*, published in 2000 (see http://pandora.nla.gov.au/pan/102841/20090728-0000/www.climatechange.gov.au/ncas/reports/tr04final.html), discusses these factors and provides information on clearing activity in each state and territory since 1970. Examples include the following:

- New releases of land allowed expansion of wheat and cotton production in north-western NSW.
- Beef, cotton and sugar production in Queensland expanded in response to international markets. Beef production was aided by new road development and widespread acceptance of more heat-resistant and tick-tolerant cattle breeds.
- Increases in the area of wheat production in Western Australia were aided by the development of cropping systems involving fertiliser use and new wheat varieties that could be productive on poor soils, as well as more frost-resistant wheat varieties.

Reductions in land clearing rates since the early 1990s have resulted from factors such as commodity price fluctuations, climatic events and the introduction of new land clearing regulations as awareness of environmental degradation resulting from inappropriate clearing increased.

Policy context

State and territory government measures

Land clearing has long been recognised as a cause of undesirable impacts on natural resources, including biodiversity loss, soil erosion and dryland salinity. In recent decades state and territory governments have progressively adopted regulatory frameworks for management of native vegetation, in accordance with their Constitutional responsibilities for land management. The contribution of land clearing controls to greenhouse gas emissions mitigation has been recognised relatively recently, and is not a primary consideration in those regulatory frameworks.

Most state and territory governments introduced regulatory controls on land clearing in the late 1980s and early 1990s. The Victorian and South Australian Governments adopted significant new controls at that time. Other states adopted legislation making certain types of land clearing activity subject to approval. Examples of early regulatory regimes include:

- South Australia 1985 to 1991 – required consent to clear native vegetation.
- Western Australia 1986 to 1995 – required permission to clear areas larger than one hectare of native vegetation.
- Victoria 1989 – required approval to clear blocks of native vegetation larger than 0.4 hectares.
- Queensland 1994 – required consent to clear native vegetation on leasehold land, with some forms of vegetation on leasehold land protected from clearing.
- New South Wales (NSW) 1995 – State environmental planning policy was introduced in August 1995 to control clearing on freehold land.

Some states further developed their regulatory regimes during the 1990s. More recently, the Queensland and NSW governments have introduced significant further reforms.

The Queensland Government enacted new vegetation management legislation in 2004, providing for the cessation of broadscale clearing of remnant vegetation by the end of 2006 while allowing for a range of ongoing clearing activities, including clearing of regrowth vegetation and clearing for fodder during drought. The Queensland legislation recognises the greenhouse emission reduction benefits of reducing land clearing rates. Legislation adopted in 2009 places further limits on clearing of regrowth.

The NSW Government in 2005 commenced implementation of new vegetation management legislation providing for a substantial reduction in clearing of remnant vegetation while allowing for a range of ongoing clearing activities. Such activities include clearing of regrowth vegetation and clearing of invasive species.

Northern Territory Government land clearing guidelines (updated in 2010) include a requirement that assessment of applications for approval of land clearing activities take into account the greenhouse gas emissions that would be produced.

Relevant Australian Government legislation

The Australian Government has responsibility for protecting specific matters of national environmental significance across the whole of Australia and surrounding ocean. The *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act) sets out the specific areas that the Commonwealth is responsible for, including a list of threatened species and ecological communities. The submission from the Department of the Environment, Water, Heritage and the Arts provides further information on the EPBC Act.

The Government's proposed Carbon Pollution Reduction Scheme (CPRS) will not impose liabilities for greenhouse gas emissions from Deforestation or agriculture, but includes measures to promote voluntary action to reduce greenhouse gas emissions from these sources. The Bills to enact the CPRS were introduced into the Parliament on 2 February 2010.

Carbon Pollution Reduction Scheme (CPRS) provisions

Key Points

- The CPRS imposes no constraints or penalties for land clearing but rather provides incentives for reducing emissions from land clearing.
- Participation in offsets for avoided Deforestation or in Reforestation projects is purely voluntary.
- No compensation arrangements are necessary for participation in these land-based activities under the CPRS.

The CPRS is the main driver in the Government's plan to reduce Australia's greenhouse gas emissions. The CPRS will use a 'cap and trade' emissions trading mechanism to put a price on carbon pollution in Australia for the first time. In a cap and trade scheme, the level of the scheme cap determines the environmental contribution of the scheme: the lower the cap, the more abatement (reduction in emissions) required. The number of tradable carbon pollution permits will be determined by the scheme cap. Businesses responsible for emissions sources covered by the CPRS will need to surrender a permit for each tonne of carbon dioxide equivalent that they have emitted during the compliance period. Carbon pollution permits will be tradable and the price of permits will be determined by the market.

The Government has committed to excluding agricultural emissions from the CPRS indefinitely. Landholders will be able to participate voluntarily in the CPRS through eligible Reforestation activities or through the provision of offsets from approved emissions abatement projects, including avoided Deforestation, provided that robust methodologies for such projects are developed.

Impacts and opportunities for landholders under the CPRS are discussed further below.

Reforestation

Eligible Reforestation activities will be able to generate permits for sequestered carbon. Participation in Reforestation activities will be voluntary and will provide for cost-effective abatement and create economic opportunities in regional Australia. Landholders considering participation may take into account likely economic outcomes such as the impacts on land asset values.

In November 2009, the Government announced that it would extend the Reforestation provisions under the CPRS to include regrowth forests on land that was legally cleared between 1 January 1990 and 31 December 2008 (Deforestation land).

To enhance the environmental outcomes of the CPRS, forest projects will have to have adequate water entitlements and meet state and local government environmental and planning requirements.

Offsets

The Government will allow CPRS offsets for abatement sources counted towards Australia's international commitments, and voluntary market offsets for those that do not.

Subject to the development of robust methodologies, CPRS permits will be provided for abatement from sources that are counted towards Australia's international commitments from 1 July 2011.

These emissions sources include:

- livestock
- manure management
- fertiliser use
- burning of savannas
- burning of agricultural residues
- rice cultivation
- avoided Deforestation
- legacy waste
- emissions from closed landfill facilities.

The Government will also implement the National Carbon Offset Standard to promote voluntary markets for offsets from abatement that is not currently counted towards Australia's international commitments, including:

- agricultural soils, including biosequestration through soil carbon and biochar;
- enhanced forest management (the management of forests established before 1990); and
- non-forest revegetation and vegetation management (establishment of vegetation that does not meet the Kyoto Protocol definitions of Afforestation and Reforestation).

Accordingly, the provisions of the CPRS related to Reforestation and offsets provide a potential revenue stream to landholders. The possibility of a new revenue stream should, other things equal, increase prospective asset values.

Opposition's climate change policy

The Opposition on 2 February 2010 released a climate change strategy based on direct action.

The strategy includes financial penalties for businesses covered by National Greenhouse and Energy Reporting System (NGERS) reporting requirements if they exceed business as usual emissions levels. Agriculture and forest sectors are not currently covered by NGERS.

The Opposition's strategy also includes support for building soil carbon and establishing forests.