

**Supporting Statement**  
**Senate Inquiry into Carbon Credits (Carbon Farming Initiative) Amendment Bill**  
1 July 2014

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Thank you for the opportunity to appear before this inquiry.

We have two issues with respect to changes to the Carbon Farming Initiative Act:

1. The proposal to remove the requirement that carbon forestry projects be consistent with regional plans; and
2. Changes to the permanence requirements for carbon offsets.

**We do not support the proposal to remove the requirement that carbon forestry projects be consistent with regional plans**

With an effective price on carbon, carbon offsets present an economic opportunity of unparalleled scale to address a range of other environmental challenges confronting Australia: repairing degraded land, restoring river corridors, improving the condition of agricultural soils, and conserving Australia's biodiversity.

There are also significant risks. Without complementary land use controls and water use accounting arrangements in place, there is a risk that in the long-term, carbon forests could take over large areas of agricultural land.

If the government is successful in its plan to repeal the Clean Energy Act, Australia won't have a price on carbon.

As a consequence we are unlikely to see any large scale market response in the short-term.

However, if in the future Australia does decide to join the rest of the world in taking serious action to address climate change, there is a high likelihood we will.

The challenge is then will be to use carbon offsets to drive investments towards improving the health of agricultural soils, protecting areas of high conservation significance and repairing degraded landscapes, and away from high value agricultural land, while avoiding perverse impacts on the environment and community.

We do not want to be sitting here in 20 years time fixing up another environmental problem in the Murray-Darling Basin, so let us use this opportunity to get it right from the beginning.

Good planning will pay enormous dividends in the future.

We see three clear opportunities in carbon farming:

1. Landholder #1 wants to restore creeks and rivers with trees and will enter a long-term agreement to be paid to store carbon on their property;
2. Landholder #2 will want to use innovative farming practices to improve the health of their grazing lands and be paid to restore carbon in their depleted agricultural soils; and
3. Landholder #3 will want to lease some or all of their property for carbon forestry, but this could impact on water resources and affect agricultural production.

We should use the carbon offsets markets to help landholders #1 and #2 wherever we can. However, landholder #3's goals may impact on water resources and affect agricultural production.

Whilst the Australian Government does not have constitutional power over land use and land management, it is responsible for the creation of the carbon offsets market.

The Commonwealth is therefore obligated to ensure that appropriate institutional arrangements are put in place.

The most effective approach for optimising carbon farming is for state, territory and local governments to link projects to regional NRM plans and to then use land use planning schemes to guide carbon farming offsets into areas of highest benefit and away from areas of risk.

The negative list is one way of preventing carbon farming activities that have a high potential for perverse outcome and we are pleased the government is retaining this mechanism.

As an interim measure this can restrict projects that have the potential to cause adverse impacts, such forestry projects that don't have a water access licenses.

However, this is a blunt top down instrument.

It is far better that local and regional communities are involved in decisions on the most appropriate locations for offset projects, and NRM and land use plans are the appropriate places for communities to have this input.

As I said, we do not want to be sitting here in 20 years time fixing up another problem of our own making, so let us get it right from the beginning.

We recommend retaining the requirement for consistency with a regional natural resource management plan remains, but to amend the clause to:

- Firstly, simplify the mechanism by allowing the Commonwealth to prescribe which activities are and are not covered, thereby only requiring project types that are likely to cause an adverse impact (eg carbon forests); and
- Reduce the costs to business by requiring a regional authority to provide that advice to the proponent, upon request and within a reasonable period.

### **Changes to Permanence Obligations**

With respect to changes to the permanence obligations, whilst we have been and continue to be strong supporters of the carbon farming initiative, we do not support the proposed changes to weaken the permanence obligations.

Is the government seriously suggesting that it will spend possibly hundreds of millions of dollars of taxpayers money to pay landholders to plant trees – for 25 years – and then allow them to turn around and clear them all, without any obligation to either pay back the money or replace the lost carbon stores?

Government, that is taxpayers, will be left having to make good the deficit in our national carbon accounts because landholders are able to clear the carbon store after the 25 year permanence period has ended.

That would be an absolute scandal. Imagine if a bank operated this way.

This is what will happen:

- Either a landholder will clear the land and sell the trees in 25 years time, and then reapply to sequester the carbon again; or
- In year 24 they will write to the Commonwealth and threaten to clear the land unless they are paid not to, knowing that if they do clear the land the Commonwealth, that is the tax payer, will have inherited a carbon liability.

In both cases, tax payers end up paying twice.

Climate change is a long term problem. The whole purpose of carbon offsets is to take carbon out of the atmosphere and permanently store in vegetation and soil.

Permanent should mean permanent. There should be no reference to dates – whether it be 100 years or 25 years. If someone voluntarily signs a contract to sequester carbon, that party should be liable to honor that contract.

This does not mean that the land is locked up forever.

It simply means (to paraphrase the government's own documents):

- “The permanence arrangements ... have been designed to ensure that carbon stored in CFI projects is maintained, ... while allowing flexibility to change land uses in the future.
- “Landholders can choose to cancel their project at any time ... by relinquishing ... the appropriate number of credits... Credits could be purchased at the prevailing market price, or the proponent could use credits from another of their projects.”

Our recommendation is that the regulation remove reference to any date, and simply require that if a landholder wishes to change land use, then they should be liable to purchase new credits at the prevailing price to replace the carbon that has been lost.