c/o ACT Natural Resource Management Council
GPO Box 158
Canberra ACT 2601

Committee Secretary
Senate Standing Committee on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

18 April 2011

Dear Secretary

Inquiry into the Carbon Credits (Carbon Farming Initiative) Bill 2011

The National Natural Resource Management Regions' Working Group (NNRMWG) represents Australia's 56 Natural Resource Management (NRM) regional bodies (e.g. Catchment Management Authorities, Natural Resource Councils). The Working Group has been supporting regions and working with government, opposition, minor parties and independents on the subject of terrestrial carbon since the first iteration of the Emissions Trading Scheme. The Working Group made a comprehensive submission to the initial CFI legislation but was unable to put together a collective submission to the House of Representatives Inquiry on behalf of all 56 regions in the short time available. Many regions have individually made submissions and we expect these will raise similar, if not identical issues.

The purpose of this letter is to request that a representative of the National NRM Regions' Working Group be invited to give evidence to the Inquiry to provide an NRM overview, and to provide comment on a few aspects of the proposed legislation.

The key issues the Working Group would like to comment on, all of which have been raised in individual regional body submissions, include:

- **Permanence:** The proposed legislation includes a carbon maintenance requirement of 100 years (Section 97). We believe this is inconsistent with international standards in the voluntary market and is biologically arbitrary. Through a risks based approach, international standards like the Voluntary Carbon Standard incorporate sequestration past the crediting date within the credit calculations. A consequence of a very long carbon maintenance requirement will be reluctance of landholders to participate in the market. This the feedback we are hearing, and it is supported by economic modeling undertaken in Queensland which suggests that few landholders would be prepared or are able (e.g. pastoral leases) to contract that far into the future. We are suggesting that, consistent with international market arrangements, the carbon maintenance period should be consistent with the crediting period. Key strategies to ensure scheme integrity and be more attractive to participants include:

1. If the stored Carbon is released by the intentional actions of the landholder, for example a forest is cleared and the land returned to cropping, then the landholder purchases credits at the going rate (existing arrangements)
2. If the stored Carbon is released by an "Act of God", eg fire, cyclone, drought .... then it is paid for by an insurance mechanism funded by the beneficiaries. It would be the single largest cost of brokering and aggregating. This risk would vary from region to region, so we suggest it is best done on a regional, not a national basis. The mutual liability fund would be owned by the offset beneficiaries; it could be reinvested in offsets and would provide a powerful incentive for beneficiaries to improve risk management.

- **Use of regional NRM plans**: we strongly support the proposed requirement (Section 83) that the proponents satisfy the system administrator that the offsets comply with the regional natural resource management (NRM) plan. The regional NRM bodies support the need for, and are ready to participate in updating their regional plans, so they can function in this capacity, including better definition of what it means to comply with a regional plan.

- **Caps**: We note Garnaut recommends a cap on terrestrial offsets – our preference is to have no cap particularly as we do not anticipate rapid uptake in the early years. However if there is a cap:
  1. it should only remain in place until there is a fully fledged trading system
  2. It should not be so low as to seriously constrain participation to the point that proponents look at the size of the bucket and decide its not worth the trouble because they will have little chance of being funded
  3. if there is a cap it is difficult to see what criteria would be used to decide who qualifies and who does not
  4. If there is a cap it should be aligned to the estimated contribution of the agricultural sector to climate change ie about 23%

- **Price:** We suggest that to prevent wild price fluctuations and to ensure the market is not perverted by very low value forest monocultures, that a price floor be in place (maybe around 90% of the fixed carbon price).

I look forward to hearing from you,

Yours sincerely

Dr Sarah Ryan
Chair, National NRM Regions' Working Group
& Chair, ACT NRM Council