

# The CFI Positive and Negative Lists

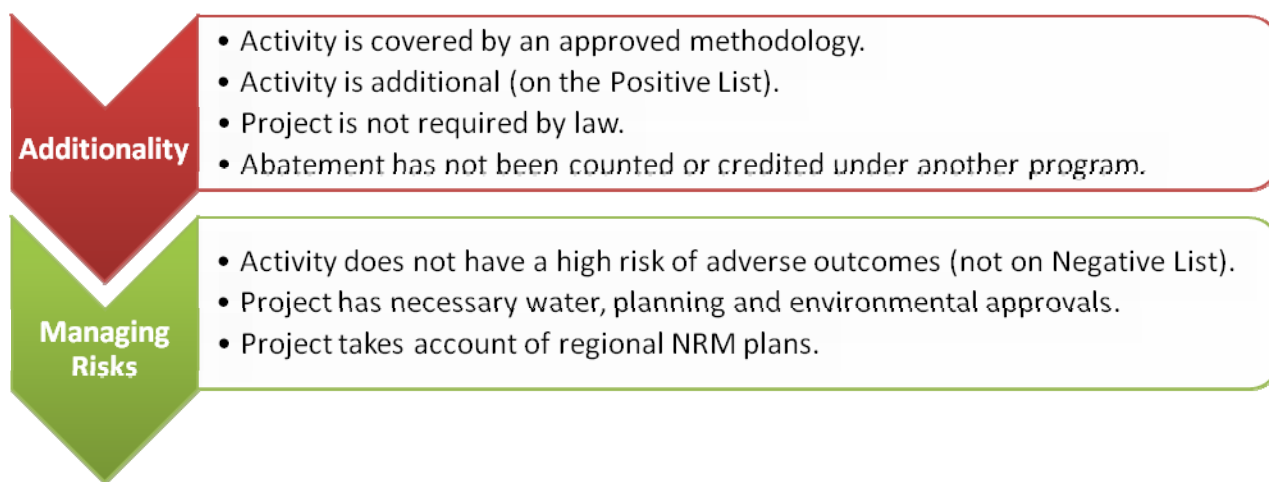
## An efficient, effective and transparent approach to additionality and risk mitigation

Carbon offset schemes like the Carbon Farming Initiative (CFI) aim to credit real, additional greenhouse gas abatement while avoiding unintended consequences for communities and the environment.

In the past, offset schemes have been criticised for using project-specific assessments of additionality which are expensive and time-consuming. The CFI will be one of the first carbon offset schemes in the world to use a more efficient and transparent 'Positive List' approach to additionality.

The CFI eligibility requirements ensure that each carbon credit issued under the scheme represents one tonne of genuinely additional greenhouse gas abatement. They also protect communities and the environment from unintended consequences of greenhouse gas abatement projects (Figure 1). The Positive List will describe activities that generate real, additional abatement; and the Negative List will describe activities that would otherwise be additional but pose a significant risk to communities or the environment.

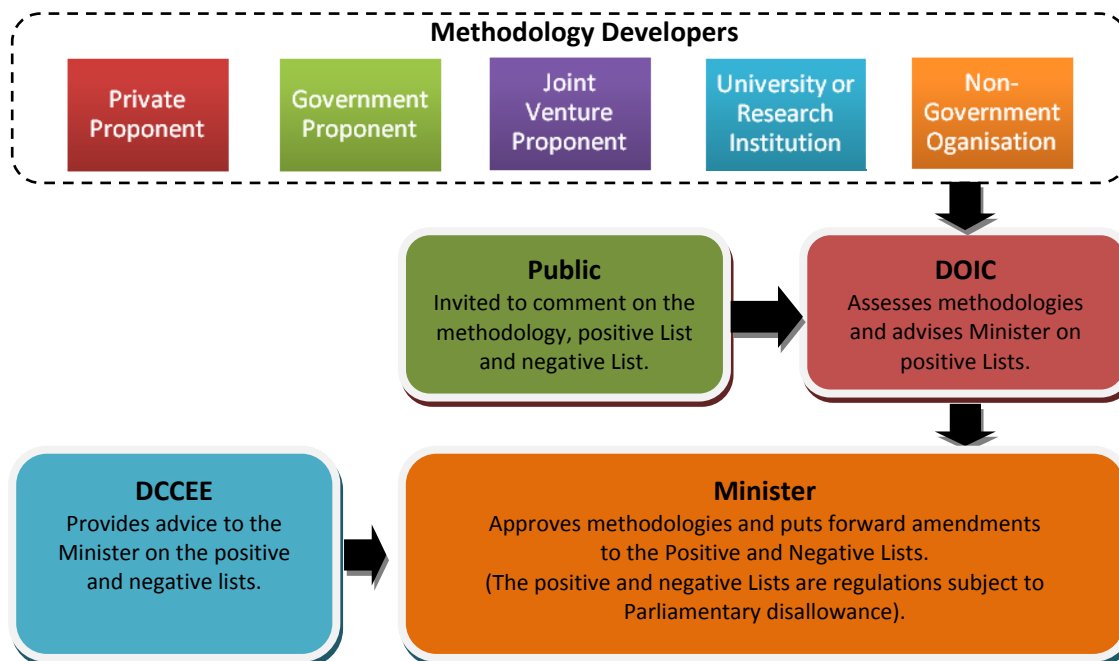
**Figure 1.** Eligibility requirements to ensure additionality and avoid unintended consequences.



The Positive and Negative Lists will grow over time as new abatement activities are identified and methodologies are developed (Figure 2). It is anticipated that a range of other activities are expected to meet the additionality test and the Government is interested in stakeholder feedback as to how they should be defined for the purposes of the list.

**The indicative Positive and Negative Lists (attached) were developed in consultation with government agencies for illustrative purposes only and do not include all possible activities that may be included on a positive or negative list.** The Minister for Climate Change and Energy Efficiency will recommend activities be added to the Positive List after receiving advice from the Domestic Offset Integrity Committee. The Government will also review the lists periodically and recommend that activities be removed or revised, for example if an activity no longer poses a risk to communities or the environment.

**Figure 2.** Adding activities to the Positive and Negative Lists.



### Criteria for the Positive List

The purpose of the Positive List is to identify activities that would not commonly occur in the absence of the CFI. These activities generate additional abatement that can be sold to ‘cancel out’ emissions produced elsewhere in the economy.

The CFI uses a Common Practice Test as the basis for identifying additional activities. Put simply, the Common Practice Test asks whether there are any circumstances where an activity is not common practice, or would not be in the absence of the CFI. Activities are considered additional in particular circumstances if they are *not* common practice.

Unlike the CFI, other carbon offset schemes rely heavily on financial additionality tests to determine whether activities are additional. Under financial additionality tests, activities that have productivity benefits, such as composting for soil carbon or improved herd management, are not considered additional and are excluded from participating in offset schemes. The CFI Common Practice Test recognises that there are many reasons why land sector abatement activities are not common practice.

### Criteria for the Negative List

Activities will be included on the Negative List if there is a high risk that they will have a significant adverse impact on the availability of water, the conservation of biodiversity, employment, or the local community. Risks will be assessed in accordance with *AS/NZS ISO 31000:2009, Risk management - Principles and guidelines*. The risk management approach enables the specific circumstances where an activity might have an impact to be identified in the Negative List, and allows for risk mitigation to be taken into account.

## ILLUSTRATIVE EXAMPLE OF THE POSITIVE LIST

Activity	Circumstances (if limited)
<b><i>Biosequestration activities</i></b>	
Establishment of a permanent environmental planting since 1 July 2007 <sup>1</sup> .	Planted area must be greater than 1ha. <i>Establishment of permanent environmental plantings for wind breaks (typically less than 1ha) is common practice</i>
Establishment of trees for biomass energy.	
Management of vegetation established through promotion of residual seed sources, coppicing or animal management.	
Application of biochar to soil.	
<b><i>Emissions avoidance activities</i></b>	
Capture and combustion of methane from legacy waste.	
Early season burning of savannas to reduce the intensity and frequency of fires in savanna regions.	Burnt area must be greater than 1km <sup>2</sup> . <i>Burning of savanna for asset protection is common practice and typically occurs in patches less than 1km<sup>2</sup>.</i>
Culling of feral camels.	
Reduced enteric fermentation - using tannins as a feed supplement for cattle.	
Reduced enteric fermentation - incorporating <i>Eremophila</i> into feed for livestock.	
Reduced enteric fermentation - manipulation of gut flora in livestock to reduce methane Rumen manipulation.	
Reduced enteric fermentation - selective breeding of livestock to reduce residual feed intake.	
Capture and combustion of methane from manure.	
Application of urea inhibitors to reduce nitrification to manure.	
Application of nitrification inhibitors to fertiliser.	
<b><i>Other</i></b>	
Projects that have been assessed as additional under the Australian Government's Greenhouse Friendly Program.	

<sup>1</sup> The Government recognises that some landholders commenced action in anticipation of a carbon price. Projects that commenced since 1 July 2007 are considered additional, though only abatement after 1 July 2010 can be credited under the CFI.

## ILLUSTRATIVE EXAMPLE OF THE NEGATIVE LIST

Activity	Risk	Circumstances
Establishment of a forest.	Interception of ground water as forests grow is likely to reduce water availability for other uses including environmental watering.	<p>The relevant jurisdiction does not have an accredited regime for meeting their National Water Initiative commitments to adequately manage water interception by plantations; and</p> <p>The proponent does not hold the appropriate high security water access entitlement to offset the plantations water use over the entire life of the plantation; and</p> <p>The project area is in a zone that receives more than 600mm annual rainfall, or more than 800mm if it also overlays a shallow saline groundwater table; and</p> <p>The total forested area for the project is greater than 2 ha; and</p> <p>The forest is not a permanent environmental planting.</p>
	Distortions to markets for agricultural land, resulting from the additive effects of up-front tax incentives and carbon revenue for commercial (harvest) plantings.	Forest was established as a Managed Investment Scheme.
Establishment of forest or non-forest vegetation.	Land clearing to establish new carbon sink forests.	Land was cleared of vegetation after 30 June 2008 or within three years of project commencement (whichever is more recent).
	Draining swamps to establish new carbon sink plantings.	A swamp was drained after 30 June 2008 or within three years of project commencement (whichever is more recent).
	While weed species may sequester carbon, they create adverse environmental impacts on their local environment.	Where species being established is a declared weed species in that jurisdiction.
Cessation or avoidance of logging, clearing, clear-felling and selective harvest in monoculture plantations.	Monoculture forests degrade over time as biomass moves to the debris pool and then decays. These forests can become a net source of emissions.	Project involves foregone harvesting of a monoculture plantation forest.
Cessation or avoidance of logging, including clearing, clear-felling and selective harvest in native forests.	Landholders may seek to have covenants revoked in order to receive carbon credits. This would create risks for the environment.	The area of land was under an in-perpetuity covenant prior to 24 March 2011, when the CFI legislation was introduced
Any CFI activity	Governments may be pressured to repeal regulations to allow more activities to access CFI credits. This would create risks for the environment.	Project was required by law prior to 24 March 2011, when the CFI legislation was introduced.