Submission:

Senate Standing Committee on Economics

Exposure Draft Legislation: Carbon Pollution Reduction Scheme

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Introduction

Greening Australia (GA) is Australia's largest environmental NGO with offices in all states and territories and many regional offices. We have been in existence for 27 years and have a staff of 350 and a turnover of $40M/annum.

Our work is the large scale transformation of degraded landscapes. This is achieved through the restoration, expansion and establishment of biodiverse native forests, woodlands and other vegetation systems.

Greening Australia has worked in the voluntary carbon offset market for the last 18 months through our Breathe Easy program which was developed in collaboration with Alcoa Australia. We are an accredited abate provider under the Government's Greenhouse Friendly Initiative.

Greening Australia is preparing to work in the compliance market when the CPRS comes into force in 2010.

Greening Australia's interest in the carbon market is with respect to potential income generation from carbon sequestration that can provide a investment capital to turbo-charge our landscape transformation work.

Greening Australia carbon offsets are generated from carbon sequestered from biodiverse native forest and bring, in addition to sequestered carbon, a range of environmental services-biodiversity, habitat restoration, improved water quality and soil health. Greening Australia conservation carbon sinks deliver both carbon emissions mitigation and climate change adaptation.

Submission

General Comments

While it is difficult to comment on the Exposure Draft without a clearer idea of the proposed regulations, Greening Australia is committed to continuing to put forward our views based on almost three decades experience in biodiverse revegetation along with the development of a biosequestration business focused on delivering Australian emissions units into the compliance market.

The primary interest of Greening Australia in this submission is the Reforestation component of the proposed Carbon Pollution Reduction Scheme (CPRS). While that will represent the bulk of this submission we have several broad issues which we wish to reiterate that remain in line with our response to the CPRS Green Paper:

There remains an urgent need for significant cuts in Australia's greenhouse gas emissions. While there is, of course, a need for governments to balance economic and social outcomes in policy development it is very important to listen to the best available science.

We have concerns that the Australian Government, in setting its targets for 2020, has set a ceiling on potential outcomes.

Forestry and other land management strategies will play a central role in delivering substantial domestic and regional carbon reductions over the next decade or two. We strongly advocate that standards are high for any forestry and/or land management project including a rigorous accreditation process and the consideration of associated environmental and social implications of biosequestration projects.

There is a real opportunity to link this mitigation policy, through biosequestration projects, to the adaptation/resilience agenda that is so pivotal to how society copes with climate change.

Part 10 - Reforestation

Introduction

Greening Australia has consistently stated its support for the inclusion of forest-based projects in the Carbon Pollution Reduction Scheme. This support comes from our fundamental belief that land management is a pivotal tool in limiting the scale of climate change and, if structured appropriately, also the impacts of climate change. The revegetation of Australia's most environmentally significant landscapes with self-replicating woodlands and forests that provide ecological connectivity for biodiversity outcomes is urgently required in the face of a warming climate. The fact that the trees established in this process also absorb the main greenhouse gas is a bonus and has the potential to provide the primary financial driver for the realization of this objective.

In light of this we have built an accredited biosequestration product that delivers multiple environmental, social and economic outcomes (Appendix A). This product is defined by its commitment to ensure permanence and the additional biodiversity and other ecosystem service outcomes. We are the only organization we know of in Australia that has developed a set of minimum standards for what we call 'biodiverse carbon' (Appendix B) through our team of leading ecologists and botanists.

One of our great fears is that loose regulation around the development of the potentially enormous biosequestration market will see a combination of negative environmental and social outcomes as well as an array of abandoned projects established by entities either incapable of delivering a viable product or, even worse, operators looking to forward sell projects and then leaving the projects to fail long after having pocketed the income. It would be a sad irony indeed if, by setting up a scheme with the goal of fixing the greatest negative externality in history (climate change) we establish a litany of new negative externalities that we know will be the result of a poorly designed scheme. In light of this, we have consistently advocated that the barriers to entry to deliver permits into a compliance market should be high.

To ensure that the economics of establishing biodiverse woodlands and forests through carbon mitigation income has a firm base we have invested in improving the data available on the carbon yield potential of biodiverse plantings. There is a strong view from many credible organizations that the current data available, including in the National Carbon Accounting Scheme, is inadequate and conservative. Without better data monocultures will always be able to provide potential purchasers with more certainty, entrenching widespread fears that much of the biosequestration market will be delivered by plantings that fail to deliver the broad range of ecological outcomes Australian landscapes urgently require.

Following are direct comments on the key concerns Greening Australia has with respect to the Exposure Draft.

Division 1 – Introduction

Greening Australia has no concerns with this Division.

Division 2 – Issue of free Australian emissions units in respect of reforestation

Greening Australia has no concerns with this Division.

Division 3 – Certificate of reforestation

Greening Australia has no concerns with this Division.

Division 4 – Recognised reforestation entities

While recognising that the scheme has been designed to include a wide range of participants it is important that the issues outlined below are considered once the scale of operations reach a level where risks and liabilities are substantial.

It is feasible that a two tiered system could be implemented to ensure that small scale operators can participate without unnecessary and complex requirements, while large scale operators would be required to demonstrate the following minimum standards:

- Appropriate legal status and governance to supply a product that has significant potential liabilities;
- A robust business model with adequate financial management capacity;
- Demonstrable high quality accounting, record keeping, reporting and auditing capacity; and
- A comprehensive, externally validated risk management strategy.

This approach would ensure the integrity of the scheme, and through this the biosequestration industry, while maximizing participation in the scheme. This approach would also enable a variety of approaches to be taken into account, including:

- Risk management and thus determination of the level of contribution to a national risk pool;
- An optimal approach to crediting – i.e. the use of NCAT or alternate methodologies – and scheme approval processes associated with this; and
- Factors that differentiate operations, such as those associated with permanent forests and plantation forests.

A national insurance pool is required, however the level of contribution should be determined though a robust and credible assessment process. For instance it would be difficult to determine the level of risk associated with a large scale operation unless a formal proposal on the operation was submitted outlining each risk and mitigation strategy.

A small scale operation could be required to contribute a set percentage of permits to the risk pool to ensure that a low red-tape approach is maintained.

Division 5 – Eligible reforestation projects

Greening Australia is supportive of this section. We strongly support the inclusion of public lands and look forward to working with government to ensure appropriately secure title over any subsequent carbon asset that is established.

Division 6 – Reforestation unit limit

As stated in the introduction, Greening Australia continues to invest significant resources with our partners in improving the current inadequate carbon yield data for biodiverse plantings.

Greening Australia believes that the Government should commit to contributing to the improved modelling of biosequestration through co-investment with large scale participants in the scheme. We strongly endorse the inclusion of the right to apply to increase (or decrease) the reforestation unit limit for any eligible project.

Standard methodologies should be developed, with consideration to the range of biosequestration products, thus reducing administration costs. A Scientific Advisory Panel could be established to ensure that implementation of this standard methodology is applied correctly.

Greening Australia is of the strong opinion that on-ground verification of carbon stocks should be undertaken for large scale operations. The approach taken should be outlined in the standard methodologies. The Scientific Advisory Panel should be responsible for conducting on-ground verification of data submitted to the scheme as it sees fit.

Division 7 – Reforestation reporting periods

Greening Australia has no concerns with this Division.

Division 8 – Reforestation reporting requirements

Greening Australia has no concerns with this Division.

Division 9 – Forest Maintenance Obligation

Greening Australia believes that the Forest Maintenance Obligation should reside with the current Carbon Sequestration Right holder. As the right is maintained on title and transferrable it is inconceivable that there would be no one on whom this obligation could be placed.

Forest Maintenance Obligations that devolve to the land owner – even if that owner in no way benefits financially – could potentially have serious impacts on the market value of land. Through protecting the land owner, market values can be maintained while still ensuring that there is a responsible entity.

Division 10 – Relinquishment of Australian emissions units

Greening Australia has no concerns with this Division.

Division 11 – Miscellaneous notification requirements

Carbon Sequestration Rights once placed on title must be considered to be placed in perpetuity, or for the required 130 years as outlined under the scheme.

A person cannot simply cease to hold a right without this right transferring to another party.

The obligation to notify the transfer of a right should rest with both the previous and new rights holder.

Division 12 – Entries in title registers

Greening Australia has no concerns with this Division.

Division 13 – Register of reforestation projects

Greening Australia has no concerns with this Division.

Division 14 – Carbon sequestration right and forestry right

Greening Australia is quoted in the CPRS White Paper (p. 6-50) as advocating the adequacy of carbon sequestration rights in ensuring the security of the carbon asset(s).

We have no concerns regarding this Division, although we do advocate that the combined Australian governments work on constructing nationally consistent, robust, carbon sequestration rights for both private and public land.

Division 15 – Net total number of Australian emissions units issued in relation to an eligible reforestation project

Greening Australia has no concerns with this Division.

ATTACHMENT A:
GREENING AUSTRALIA'S BIODIVERSE CARBON PRODUCT

Greening Australia (GA) has developed a single carbon biosequestration product that is designed to help us achieve our mission to transform Australia's landscapes into functional, productive and biodiverse ecosystems capable of coping with a changing climate.

GA establishes permanent biodiverse plantings that deliver multiple environmental outcomes.

GA's biosequestration process gained accreditation under the Australian Government's Greenhouse Friendly program in July 2008. GA is strongly of the view that any entity interested in producing Australian Emission Units (AEUs) under the proposed Carbon Pollution Reduction Scheme (CPRS) needs to meet substantive minimum requirements. In line with this view we have developed a process to meet and exceed expected minimum standards for the production of AEUs. GA's process is built around:

The establishment of biodiverse, landscape scale restoration plantings:

- GA's ecologists identify landscapes that urgently require biodiverse revegetation with a focus on opportunities to connect existing remnant native vegetation to build resilience;
- GA undertakes a Conservation Action Planning process in regards to each landscape which involves partnering key government agencies and local stakeholders;
- GA identifies key properties, secures land access and develops revegetation plans, risk management plans while ensuring all regulatory requirements are met;
- Within the revegetation planning process, the areas of the property ideally suited for biodiverse carbon sequestration and those better suited to food and/or fibre production are identified;
- All existing viable remnant native vegetation is permanently protected;
- Seed is sourced from the region (local provenance);
- Restoration planting is then undertaken following appropriate site preparation with includes weed management; and
- A long-term management plan and strategy is prepared for the site.

The creation of a secure, measurable and verifiable carbon asset:

- The sink meets all international requirements including Kyoto standards;
- All accounting, record keeping, reporting and auditing standards are Greenhouse Friendly compliant;
- Carbon rights and/or carbon covenants are used to secure the carbon asset on all eligible sites. The legal instruments ensure access to the site for establishment and on-going management and restrictions on use on title (lasting for 100 years);
- All carbon yield forecasts are based on National Carbon Accounting Toolbox estimates except on sites where GA has undertaken verifiable field research, data collection and analysis; and
- Reporting on an annual basis via procedures accredited under Greenhouse Friendly including the use of verified third party auditors.

A robust risk management framework including:

- A diversified national sequestration pool(s) covering multiple landscapes across the country;
- Economic modeling that ensures our price reflects conservative estimates of carbon yield, land access costs, revegetation costs, risk management buffer(s) and risk sharing scenarios with large clients;

- The use of a mixture of local (provenance) native species that are adapted to Australian conditions with demonstrable resilience to local climatic conditions;
- Establishing permanent plantings (ie non-harvested);
- Ensuring high-level Quality Assurance (QA) outcomes from all contracted parties;
- Risk management plans at the property scale for fire, pests/weeds and erosion;
- Establishing a buffer (internal insurance) in the national pool(s) to account for acute events that decrease carbon stocks in particular sites (eg fire, disease, pest species outbreaks); and
- Working with risk management specialists and insurers to ensure our risk management framework is robust.

The ongoing costs of long-term management of the carbon sequestration pool:

- Estimates of long term ongoing costs are built into the economic modeling;
- Trust structures are used to ensure funds are available when they are required in the future for monitoring and other maintenance activities; and
- A rolling, flexible contractual regime designed to deal with changing circumstances over the long-term.

ATTACHMENT B:
GREENING AUSTRALIA'S BIODIVERSE CARBON STANDARD

Greening Australia has developed a Biodiverse Carbon Standard that is based exclusively on native forest and woodland reafforestation that restores a self-replacing diversity of regionally native vegetation on land cleared prior to 1990. The application of this standard to GA Carbon's carbon product ensures that GA Carbon's operations are aligned with Greening Australia's mission.

Our Biodiverse Carbon Product which conforms to the Biodiverse Carbon Standard is distinguished in the marketplace because it is based on plantings that are characterized by the following:

- Naturally self-regenerate following physical disturbance such as fire and storms;
- Sourced from seed that is native to the bioregion in which they are planted;
- Suited to the local soil, topographic and climatic conditions;
- Restore native ecosystems by re-establishing forest cover, under storey & native grasses;
- Assist in repairing creek systems, natural water flows and water quality by removing silt and sedimentation;
- Are a minimum 100ha in size (and more than 100m wide) to ensure permanency and self replacement;
- Will be managed for at least 100 years;
- Are adaptable to inevitable climate change impacts such as hotter temperatures, lower and more variable rainfall, and more frequent fires; and
- Represent a lower environmental & financial investment risk in terms of greenhouse gas mitigation and adaptation outcomes.

GA Carbon is committed to the further development of our Standard in line with best available science, the evolving domestic and international climate policy framework, and as a result of our own practical experience.