

21st July 2008

Dear Sir/Madam

**Submission for the Senate Standing Committee on Rural and Regional Affairs and Transport** with regard to 'The Implementation, operation and administration of the legislation underpinning carbon sink forests and any related matter.'

Please find the following submission outlining why forest carbon sinks are important to Australia and rural Australia in particular, including the implications for not being included in the 2010 Australian Emissions Trading Scheme ('AETS').

This submission has been prepared by AusCarbon Pty Ltd ("AusCarbon"). AusCarbon has recently become accredited under the Department of Climate Change ("DCC") Greenhouse Friendly Certification Program as an Abatement Provider.

## **Issue**

We are concerned that forest carbon sinks are not being accepted for their importance to Australia as one of the long term solutions to reducing greenhouse gases and the perception that forest carbon sinks will have a negative impact on Australia's existing, viable agricultural industry.

## **Discussion**

**"The establishment of forest carbon sinks offer significant benefits to the Australian economy, the environment and rural communities".**

The purpose of this paper is to highlight:

1. The importance of forest carbon sink projects as an effective, low cost and efficient means of generating carbon credits/offsets for industry.
2. The significance of forest carbon sinks as a contributor to the Federal Government achieving its 2020 carbon emission reduction targets.
3. The risks of losing forest carbon sink development projects if forest carbon sinks are not included in the AETS.
4. The benefits to the environment and rural Australia

Forest carbon sink projects should be included in the 2010 AETS for the following reasons:

1. **Forest carbon sinks sequester large volumes of CO<sub>2</sub>**

Forest carbon sink projects have the potential to sequester large volumes of carbon.

100,000 Ha of forest carbon sink abatement projects are expected to sequester a total of **40 million tons of CO<sub>2</sub>e** over a 30 year period following the plantings. This planting schedule of 100,000 hectares will require expenditure commitments (on today's values) **in excess of \$156 million.**

It is important to understand that plantings at this scale can only be achieved if substantial investment is made now in nursery capacity (to propagate very large numbers of seedlings) and in suitable land. A delay in a clear policy decision to include the carbon credits generated by forest carbon sinks developed by accredited third party's will substantially reduce the achievable bio-sequestration prior to 2020.

2. **Forest carbon sinks provide low cost and low risk carbon credits/offsets to emitters**

The program that AusCarbon is planning to implement will generate Greenhouse Friendly™ carbon credits/offsets at a cost significantly below the current pricing of \$19 recently paid by Westpac. AusCarbon's price model will also offer industry an alternative to higher priced, above-cap, penalty prices currently being suggested.

This will only be available to industry, if the forest carbon sink generated credits are allowed in the AETS and are available to emitters as offsets. The initial capability to acquire economic offsets during the AETS phasing-in period will be very important to industry economics by providing a buffer until emission reduction programs are established.

If the Federal Government is to achieve credible greenhouse gas reduction targets and a successful establishment of the AETS, early engagement by industry will be critical. Forest carbon sink projects will provide attractive low cost and low risk offset alternatives to industry. This will be particularly important during the early years of AETS, as industry works to establish capture and reporting systems and longer term emission reduction programs.

**3. Delaying the inclusion of forest carbon sinks in the AETS will create time lag and will reduce emitter and investor confidence**

One of the major constraints for AusCarbon (and other industry players) is the availability of land and seedlings prior to commencement of a forest carbon sink project. A substantial investment in nursery capacity and land acquisition is required for this to occur. If forest carbon sinks are not included in the AETS from 2010, finance availability for these projects will reduce significantly.

As momentum builds towards 2010, forest carbon sink projects can provide investors, institutions and emitters with the opportunity to immediately engage and commit to AETS programs. If the AETS fails to provide domestic investor confidence, it is possible that project financing will be sought from countries that have previously expressed interest such as Japan. The implication for this outcome would not only impede local industry development, but could also lead to leakage of emission reductions achieved in Australia to other jurisdictions and therefore be of no assistance in achieving our domestic targets.

**4. Potential to lead the international framework producing the highest quality Carbon Credits**



There is a substantial contribution to be made by afforestation projects in reducing greenhouse gases. Australia's existing regulatory framework for measuring, reporting and verifying carbon offsets created from forest carbon sinks is recognised globally (Carbon Expo, Cologne, May 7-9, 2008).

Australia has the opportunity to lead the world in producing the highest quality carbon credits. The inclusion of forest carbon sinks in the Australian scheme for 2010 will help to focus international attention on the capacity of the sector to deliver a permanent and verifiable reduction in greenhouse gas.

Australia has argued successfully in international forums for the inclusion of forestry in international agreements and mechanisms. The inclusion of forest carbon sinks in our Emissions Trading Scheme would be consistent with this position and encourage similar policies globally.

## **5. Regional and Environmental benefit**

The encouragement of forest carbon sink projects will provide numerous regional and environmental benefits in the short to long term including:

- Large increases in regional employment.
- Significant improvements to salinity and bio-diversity problems in marginal farm areas.
- Long term improvement in soil quality and reduced losses from top soil destruction.
- Vegetation induced rainfall benefits projected for the future.
- Improved habitats for diminishing flora and fauna species.
- Direct investment in regional communities and services.

## **6. Conclusion**

If forest carbon sinks are not included in the 2010 AETS:

There will be a reduction in available finance for forest carbon sink projects.

There will be a reduction in investment in nursery (seedling propagation) capacity and therefore the future scale of the industry.

The pre-CO<sub>2</sub> sequestration reductions will be reduced by millions of tons per annum.

The only finance that may become available will be from countries like Japan.

Funding from overseas countries (eg. Japan) will result in any CO<sub>2</sub> reductions in those funded projects to be lost to achievement against the Australian targets.

Emitters will face higher early stage offset costs creating additional price increase pressures.

Investment in marginal rural communities will be lost with a significant loss of employment opportunities in those communities.

Regional benefits such as increased employment, improvements to salt affected and degraded farm land, biodiversity improvements, and improved habitats for native flora and fauna will be delayed or lost completely.

The primary purpose of the government's climate change strategy is to reduce greenhouse gases. Not including forest carbon sinks in the 2010 ETS will be directly in conflict with the whole global warming aim of the Federal Government and the world community.

What is to be lost by including the well regulated and highly verified forest carbon sink programs in the 2010 AETS? One should conclude NOTHING, but everything to GAIN.

Yours sincerely



21/7/2008

Denis Watson

Managing Director

This report has been prepared by Kent Broad, a Director of AusCarbon Pty Ltd. Kent has grown up in the Northern wheatbelt of Western Australia, owning/managing wheat/sheep/cattle properties for 20 years and also owner/operator of a 160,000 Ha station in the Murchison district of WA for 5 years.

“I have witnessed first hand the economic, social and environmental deterioration of rural Australia for the past 30 years. Forest carbon sinks offer a legitimate long term monetary and environmental benefit that will not only replace Government drought handouts, but help to ameliorate the severity of the droughts themselves.

Our forebears have consistently (and successfully) imposed an Agricultural system they were familiar with in Europe, onto a fragile and brittle environment here on the Australian continent. Whilst the economics of this system has benefited Australia in the past (wool, meat and grains), it is the same economic influence that has driven farmers from the more gentle legume and grass dominated pasture system (with a crop every 3-4 years), to an intensive, high input, high cost, continuous cropping regime. This in turn has caused farms to get bigger (economies of scale) and a critical (and continuing) loss of rural population to the major cities. Because of this economic tightening throughout rural Australia, the normal cycle of droughts are having an increasingly negative impact on the sustainability of rural enterprises and communities.

The establishment of forest carbon sinks throughout the wheatbelt and rangeland regions of Australia will give an immediate financial gain to landholders. By contracting to have trees planted in 'alleys' on their properties (and/or block plantings on degraded areas), farmers will be paid for the use of their land. Rather than having this land taken away from existing agriculture, forest carbon sinks will complement current practices. Where some of the regions are becoming marginal, forest carbon sinks offer an alternative, viable industry that will bring 'life' back into these areas. Besides the numerous environmental benefits, this will deliver money and jobs directly into the local communities that need it the most.

The significance of revegetating rural Australia cannot be underestimated. Increasing the vegetative biomass across vast areas must have a positive impact on local climate, flora and fauna. Instead of valuable topsoil blowing away through over-grazing and extensive chemical applications (thus creating

a biologically dead environment), rebuilding a local habitat will reverse this degradation and create new life. This applies to both the Agricultural and Pastoral regions of Australia.

Besides this positive environmental impact on the ground, the potential for forest carbon sinks to sequester large volumes of CO<sub>2</sub> from the atmosphere is significant. Even if Greenhouse Gas emissions are stopped today, the dangerous levels of CO<sub>2</sub> that exist now, still need to be reduced. Forest carbon sinks will have an immediate short term impact and continue to have a major role in the solution to global warming in the longer term.

In conclusion, there is a window of opportunity for forest carbon sinks to make a significant economic, environmental and social impact in the marginal areas of rural Australia. Farmers and landholders can get direct funding by having their lands revegetated in a sustainable manner. This will complement existing agricultural practices. The major external benefit of forest carbon sinks will be on the environment. Increasing the vegetative biomass across the wheatbelt and rangeland regions of Australia will reduce salt, water logging, wind and water erosion and create new habitats for flora and fauna. More money in farmers pockets and a reversal in the degraded environment will revitalise the social aspect of rural communities (reverse population drift to the cities). Whilst industry tries to reduce their emissions through technological advances (could take 10-15 years), forest carbon sinks will reduce excess CO<sub>2</sub> immediately and for the next 100 years.”