

13 March 2018

Forests Section
Climate Change Division
Department of the Environment and Energy
By email: ERFforests@environment.gov.au

Dear Forests Section,

Thank you for the opportunity to provide comment on the proposed amendments to the Carbon Credits (Carbon Farming Initiative) Rule 2015 (the Rule) as it relates to native vegetation regeneration projects.

Levelling out the playing field for both regeneration methods

Amendments to the Rule were made last year that enhanced the robustness of the Human-Induced Regeneration of a Permanent Even-Aged Native Forest (HIR) method. The amendments applied to HIR projects which have transferred to the Native Forest Managed Regeneration (NFMR) method, but curiously did not apply to the original NFMR method projects themselves.

This was despite the interim operational policy, interim posture and guidance from the Clean Energy Regulator last year discussing the NFMR method and the HIR method as though they were synonymous in terms of crediting issues. Further, briefing between Senior Executives at the Clean Energy Regulator for February 2018 senate estimates suggests that access to higher resolution aerial imagery in late 2017 had alerted the Regulator to a “risk of over-crediting projects under these methods” (FOI 04-2018).

It appears that, in the absence of the proposed amendments, the original NFMR method projects will (and do) enjoy less stringent legislative requirements in satisfying the Government that carbon abatement is occurring.

We have analysed the Emission Reduction Fund project register and, while the HIR projects have diverse proponents and are geographically widespread, the NFMR projects appear to be clustered in southwest Queensland and are all managed by a single proponent.



The Australian Conservation Foundation believes the proposed amendments ideally should have occurred along with the amendments last year and are important for levelling out the playing field for proponents with projects registered under the regeneration methods.

Ensuring carbon credits reflect genuine abatement

Our understanding is that the proposed amendments will ensure that abatement being credited under the regeneration methods is genuine and not an artefact of the selective use of change detection products or Carbon Estimation Area (CEA) stratifications that may artificially maximise purported abatement.

It is a reasonable expectation that the proponents of regeneration projects can demonstrate that their claimed carbon abatement is, in fact, from the genuine fostered growth of native forest. It is also reasonable to expect that carbon credits would not be issued to proponents in cases in which carbon abatement is not occurring—i.e. when regeneration is unlikely to ever occur, or, when a pre-existing forest is included in the CEA.

The Australian Conservation Foundation believes that responsible proponents, and the Clean Energy Regulator where appropriate, should be ground-truthing the information gleaned from change detection products and CEA stratifications.

There is a possibility the proponents will be resistant to the proposed requirements for additional rigour. However, the risk and cost of issuing carbon credits for dubious carbon abatement is arguably far greater than asking proponents to adapt their business models to use the best available information.

Land sector methods like the HIR and NFMR methods are an important feature of the Emissions Reduction Fund and their effectiveness is contingent on reliable, valid and consistent information. The two regeneration methods constitute more than a third of all Emissions Reduction Fund projects, nearly half of all contracted abatement and involve well-over \$170 million worth of ACCUs (conservative estimate based on average price and ACCUs issued).

Addressing the existing CEA concerns

Given the material released by the Clean Energy Regulator, their internal briefing and the issues addressed by the proposed amendments to the Rule, it would be reasonable to infer that over-crediting has likely occurred for existing CEAs (or at the very least the risk of it having occurred is serious).

While the Australian Conservation Foundation sees the proposed amendments chiefly as an important step in the right direction, we note that the change is overly generous to current projects



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and applies a different rigour to new projects. For example, the length of time over which a project may be credited before it must achieve forest cover appears to be stricter and made more explicit for new projects.

Meanwhile, it remains open to old projects with existing CEAs to enjoy an extended period of time to achieve forest cover and receive credits. As the proposed amendments to the Rule appear to have been born out of concerns with precisely these projects, this seems ill-advised.

In light of this, we recommend that further changes are made to ensure the rigour of the amendments applies to all projects, new and old. Nevertheless, we strongly support the proposed amendments and see them as overdue and necessary for the integrity of the Emissions Reduction Fund.

If you have any questions please contact me on 0455 299 923 or annica.schoo@acf.org.au.

Kind regards,

A handwritten signature in black ink, appearing to read "Annica", written in a cursive style.

Annica Schoo
Environmental Investigator

