

9 October 2019

Dear Emissions Reduction Assurance Committee

Thank you for the opportunity to make a submission to your review of the Avoided Deforestation method.

As you are aware, the Australian Conservation Foundation (ACF) wrote to you in February this year to raise concerns ACF have about the Avoided Deforestation method. In that correspondence ACF discussed potential issues with enforceability and leakage as well as the need for more transparency and public access to information about projects registered under the method. ACF will expand on some of these matters in this submission.

Our position

The Avoided Deforestation method constitutes over a quarter of all sold and issued Australian Carbon Credit Units (ACCU) and has the second most ACCUs committed under contract of all methods.¹ It is important for the success of the broader Climate Solutions Fund (CSF) that this method is funding genuine additional abatement.

Broadly, ACF is concerned that without strong national environmental laws and the appropriate regulation of native vegetation destruction, any gains made through methods like Avoided Deforestation are undermined by unregulated land clearing (such as the recently observed clearing rates in Queensland²).

There is an important opportunity to augment avoided deforestation with a 'biodiversity' top-up component to further incentivise protection of biodiverse carbon stocks. Biodiversity and carbon are

¹ <https://offsetsmonitor.org.au/>

² <https://www.climatecouncil.org.au/resources/qld-land-clearing-report/>



not mutually exclusive considerations and could complement each other in a scheme that considers the additional carbon stocks that occur in well-managed biodiverse landscapes.³

Unfortunately, while high-value remnant forest is cleared elsewhere, the avoided clearing being incentivised by the Avoided Deforestation method is concentrated in marginal lands in western New South Wales (NSW) with relatively lower carbon stocks.⁴

Further, the vegetation being protected is particularly vulnerable to the impacts of climate change—for example in 2090, under a best-case climate scenario (RCP 2.6), Bourke is likely to have 6 per cent less rainfall and a climate analogous to Alice Springs.⁵

Conservatism⁶

The climate-vulnerability of western NSW is not only relevant to the broader policy intent of the CSF in dealing with landscape carbon but is relevant to the conservatism of crediting under the method. As you would be aware, the Avoided Deforestation method forward-credits proponents over 15 years using a pro rata calculation of abatement over the 25 or 100-year permanence period. Calculated abatement also factors in a 5 per cent risk of reversal buffer.

In 100 years, even in the absence of climate damage, any number of natural events (fires, floods, pest invasions or droughts) could impact on the carbon stocks of the vegetation. Western NSW will experience substantial change over the next 100 years *even under the best-case climate scenario*, including altered landscapes and greater vulnerability to natural events.⁷

³ https://www.greeninstitute.org.au/wp-content/uploads/2016/11/Mulga_Bill_Web_BM.pdf

⁴ <https://esajournals.onlinelibrary.wiley.com/doi/full/10.1890/11-1123.1>

⁵ <https://www.climatechangeinaustralia.gov.au/en/climate-projections/climate-analogues/analogues-explorer/>

⁶ Leakage is addressed in a later section.

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https://www.climatechangeinaustralia.gov.au/media/ccia/2.1.6/cms_page_media/176/AUSTRALIAS_C HANGING_CLIMATE_1.pdf



In their 2017 submission to the Carbon Farming Initiative review, CSIRO suggested that the risk of reversal buffer be reviewed for the increased risk of natural disturbances, especially for locally-concentrated vegetation projects—such as in the Avoided Deforestation method.⁸

Our view is that a 5 per cent risk of reversal buffer is not sufficiently conservative and proponents are being credited for dubious future carbon abatement. Our concerns about conservatism in this respect are not allayed by the Australian Government's unambitious climate policy settings.

In addition, the 25-year permanence period raises concern. ACF notes that the credited abatement for the more modest 25-year commitment is discounted by 20 per cent. The logic behind this discount is that, if the 20 per cent saved by the Australian Government is invested, it could replace any abatement that is lost after the permanence period.⁹

If the discount were to be legitimately conservative, ACF considers that the saved money should be set aside in a dedicated fund to ensure that any lost abatement can be genuinely replaced. The Australian Government's current spending on climate policy does not give ACF confidence that this will occur in the absence of such a fund.

ACF also agrees with the Climate Change Authority's recommendation in 2017 that the discount should be reviewed periodically due to the changing costs of abatement and the amount of carbon lost.¹⁰

Additionality

To avoid clearing consents being obtained purely to access the CSF, the Avoided Deforestation method requires proponents to hold a permit valid at the time of application and issued before 1 July 2010. While this may have been appropriate at the conception of the method, it has now been nine years since eligible projects were granted their approval to clear.

⁸ Pg. 49,

<http://climatechangeauthority.gov.au/sites/prod.climatechangeauthority.gov.au/files/files/CFI%202017%20December/ERF%20Review%20Report.pdf>

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<http://climatechangeauthority.gov.au/sites/prod.climatechangeauthority.gov.au/files/files/CFI%202017%20December/ERF%20Review%20Report.pdf>

¹⁰ Ibid, 9



There are three projects that have been registered since 2017¹¹, which have presumably been treated with the same test for additionality as those registered in 2013. ACF is concerned that, if a landholder held a clearing consent for 7-10 years, there are likely to be other reasons why they have refrained from clearing beyond the incentive of the CSF. The additionality of more recently registered projects is uncertain and will become less certain for future registrations as time passes.

ACF understands that there is limited scope to consider changing the eligibility date for consents under the method and therefore urge you to consider whether the Avoided Deforestation method is reaching the end of its useful life.

Leakage and Transparency

In our correspondence in February ACF mentioned that land clearing has occurred at projects being credited under the Avoided Deforestation method in recent years. ACF is concerned that funding provided under the ERF could be supporting capital costs for clearing at these properties—and is further concerned about the potential that this clearing is within the Carbon Estimation Areas and/or buffers. ACF urges the Committee and the Clean Energy Regulator, if appropriate, to investigate this further.

ACF recommends that information regarding Carbon Estimation Areas be made available to the public. If Carbon Estimation Areas were made public, ACF would be able to ascertain if particular cases were compliance matters or policy issues. ACF thinks the public and non-government organisations have a right to access information that is of public interest and relates to the spending of taxpayers' money and the integrity of the scheme. Further, it could dramatically expand the capacity for these types of projects to be monitored for compliance outside of the limited resources available to the Clean Energy Regulator.

The Avoided Deforestation method: in summary

ACF welcomes review of the Avoided Deforestation method. As mentioned earlier, the method is a sizable contributor to abatement under the CSF and its integrity is critical in ensuring the broader success of the Australian Government's central climate policy.

¹¹ ERF124225, ERF111260 & ERF121207



It is important that the CSF is not understood in a policy vacuum and ACF notes that the Avoided Deforestation method continues to be undermined by unregulated land clearing. As outlined, the method is currently missing an important opportunity to incentivise protection of biodiverse carbon stocks and ACF believes that this should be addressed if the method is to continue.

Further, ACF has a range of concerns regarding the current method. Namely, ACF is concerned that the method is not sufficiently conservative in its estimation of the risk of reversal buffer (given the additional risks presented by climate change beyond business as usual). ACF is also concerned that, in the absence of a dedicated fund, the discount applied to projects with a 25-year permanence period will not have a material consequence on long-term carbon abatement despite its good intentions.

ACF also urges you to consider the continued relevance and rigour of the method—the additionality of newer projects is weak and only stands to weaken further the longer the method is open to new registrations. ACF is concerned about potential compliance and/or leakage issues and urges you to consider the need for more transparency and public access to information about projects registered under the method.

Once again, thank you for the opportunity to make a submission to the review.

Kind regards,



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