

FORESTRY

Considerations for tree growers before selling carbon

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Farm Trees and Carbon Fact Sheet

Many farmers appreciate the value of well designed tree plantings for their farms. Many are also wondering if selling carbon credits from their trees is a worthwhile activity. This fact sheet provides information on some of the questions that should be addressed before selling carbon from farm trees.

Are Trees for me?

The first things to consider are the reasons why you might like to sell carbon from trees on your property.

Does it fit with your long term property/business goals? Has your farm plan identified sensible areas for revegetation?

What are the expectations of carbon buyers in terms of plantations (exotic versus native trees) or revegetation with local trees and understorey?

Do you wish to achieve additional benefits such as farm shelter, biodiversity gains, water quality improvement and erosion or salinity control? Can you combine them all?

Can you manage any additional tree maintenance that may be required?



Emerging Markets

There is an emerging carbon offset market, which offers payments for stored carbon on farms. Where there are payments, there will also be legal obligations which farmers must be aware of. Participation as a seller of carbon is voluntary; farmers get to choose if they would like to participate as a seller of carbon into the offsets market.

Carbon Farming Initiative

The Carbon Farming Initiative (CFI) was introduced by the Australian Federal Government in 2011. It aims to allow farmers, forest growers and landholders to access carbon markets both domestically and internationally. The credits created under the CFI will be sold as Australian Carbon Credit Units (ACCU) to businesses or individuals wanting to offset greenhouse gas emissions.

Know your rights and responsibilities

The role of a carbon offset provider (or aggregator) may include facilitating trade of Australian Carbon Credit Units (ACCUs)

through to planting trees on your property.

However, as offset providers vary in their contract details, it is important to thoroughly research the provider and have them explain all your rights and responsibilities under any contract that is drawn up.

It is crucial to know what your rights and responsibilities will be in any agreement - this should be clearly discussed with the carbon offset provider. Don't sign anything until you are comfortable with the terms and conditions of the contract.

Consider questions such as:

- What is the process from start to finish?
- Are there any upfront or ongoing fees or costs (direct or indirect) to me?
- Will my carbon agreement be registered on title?
- Will any covenants be placed on my land?
- What are the potential implications of trees committed to carbon storage on other areas of the farm business (e.g. loans and investments, property titles, lease agreements)?
- What happens if the company goes broke?
- What happens if my trees die?
- How often do I receive payments for my carbon?
- Will your company require access to my property?

Questions to consider

The following issues and questions will be helpful when first considering whether to sell tree carbon. Independent advice from your legal and financial advisors may assist you to fully evaluate any potential implications for your farm business.

1. Where will the plantings fit within my ideal whole farm plan layout for improving and maintaining farming efficiency?
2. What are the implications for the catchment water yield of large scale tree planting and are there any restrictions in this regard?
3. Will selling my tree carbon affect the value of my land?
4. What legal contracts and obligations come with the carbon sale? Is a permit required from Local Government? Will contracts need to be attached to my property title in perpetuity?
5. Do other parties also need to approve any carbon contracts (e.g. other title owners, bank/mortgage associated with land title etc.)?
6. Will I have enough carbon to make it worth my while?
7. What price should I expect for my carbon? Might the price change?
8. Are there any tax implications in selling carbon?
9. Can I ever cut or harvest my trees for timber?
10. Do I have to do anything to my trees or property in order to sell carbon (e.g. fencing / stock exclusion / fire protection)?
11. If I plant trees now, how long before I can sell the carbon?
12. How long can I sell tree carbon into the future?
13. Is the carbon offset provider compliant with the Carbon Farming Legislation and do they meet Australian standards?
14. Does the contract limit my ability to change land use in the future, should I need to do so (e.g. to meet changing markets or new technologies)?
15. What will my liability be if drought, fire or other conditions affect the survival of my trees?
16. Do I need insurance?
17. Does my contract allow for future modifications?
18. What are the penalties for terminating the contract? What might the implications be in 30 years time, especially if carbon is worth a lot more by then?

Links and further information

Department of Primary Industries (DPI) - See the Forestry in Victoria page for DPI services to farm foresters and information about growing trees. www.dpi.vic.gov.au/forestry (<http://www.dpi.vic.gov.au/forestry>)

Carbon Offset Guide Australia - This site has a frequently asked questions section for landholders, a carbon offsets glossary and an independent directory to carbon offset providers. www.carbonoffsetguide.com.au (<http://www.carbonoffsetguide.com.au/>)

Department of Climate Change and Energy Efficiency - For details and updates on the Australian Federal Government Carbon Farming Initiative. www.climatechange.gov.au/cfi (<http://www.climatechange.gov.au/cfi>)

Department of Climate Change - Access the National Carbon Offset Standard which provides a means of ensuring the environmental integrity of the carbon offsets and carbon neutral products available in the Australian voluntary market. www.climatechange.gov.au/en/government/initiatives/national-carbon-offset-standard.aspx (<http://www.climatechange.gov.au/en/government/initiatives/national-carbon-offset-standard.aspx>)



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