

CARBON FARMING

Understanding the basics



Carbon Farming presents a unique opportunity for landholders to receive new income from their land, while simultaneously making improvements to their natural capital. Carbon Farming is taking place in Australia and all around the world, with opportunities in a variety of Ag industries, climates, ecosystems & land types.

1. What is Carbon Farming?

Carbon Farming is a 'whole-of-farm' approach to increasing carbon capture by implementing practices that can improve the rate at which CO₂ is **REMOVED** from the atmosphere and **STORED** in plant material & soils.

2. Who oversees the Carbon Farming industry?

The **Emissions Reduction Fund (ERF)** is a voluntary scheme that provides incentives for landholders to take part in Carbon Farming. The **Clean Energy Regulator (CER)** is responsible for overseeing the ERF.

3. What is an ACCU?

An ACCU, or **Australian Carbon Credit Unit**, is the *currency* of the Australian Carbon Farming Industry. An ACCU is issued to a person or organisation by the Clean Energy Regulator for implementing practices that reduce CO₂ in the atmosphere. One ACCU represents the avoidance or removal of 1 tonne of **CO₂ Equivalent**.

4. What is a CO₂ Equivalent?

Carbon Dioxide is a Greenhouse Gas (GHG) which means that as it increases in the atmosphere, the atmosphere **warms**. There are other GHGs, such as Methane and Nitrous Oxide, that *warm* the atmosphere to **different levels**. The CO₂ equivalent is a **metric measurement** that standardises the warming effects of different GHGs.

5. Can ACCUs be Sold and who would buy them?

ACCUs can be sold to generate additional revenue for your business. There are multiple sources of demand for ACCUs, including:

- **Emissions Reduction Fund Auctions:** The Australian Government is currently the largest purchaser of ACCUs. The Commonwealth Government has already committed \$2.3 billion, purchasing more than 192 million ACCUs.
- **Safeguard Mechanism:** Under the safeguard mechanism, particular Facilities/Businesses are required to keep their emissions at or below a baseline set by the Clean Energy Regulator. Safeguard facilities who exceed their emissions baseline can surrender ACCUs to offset excess emissions. **The Safeguard Mechanism targets Australia's largest GHG emitters**; the policy affects hundreds of companies in industries ranging from Mining, Oil & Gas Production, Electricity, and Manufacturing.
- **Voluntary Markets:** Businesses are increasingly willing to voluntarily offset their emissions in order to become **Carbon Neutral**. These included well-known companies such as ANZ, Telstra, Qantas and many others.
- **State & Territory Governments:** Governments are seeking to be carbon neutral and may source ACCUs to offset their emissions; The QLD Government often purchases ACCUs to support its emissions reduction target.

6. Do you have to include your entire property in the Carbon Project?

No. You get to decide how much and which land will be included in the Carbon Project.

7. What are Carbon Farming Methods?

To generate ACCUs in a Carbon Farming Project a landholder must implement **Management Activities** that can store carbon in trees and soils, or avoid the release of GHGs. These management activities or practices are called **Carbon Farming Methods**. Finding the Carbon Farming Method that is best for you is critical.

8. What do Landholders have to do?

Carbon Farming is **NOT** 'many for nothing'. Landholders are required to undertake **Management Activities** in accordance with the Carbon Farming Method elected in their Project, and also demonstrate **Additionality**.

9. What is the concept of 'ADDITIONALITY' in Carbon Projects?

Additionality is a defining concept of carbon projects. To qualify as a genuine carbon offset, the reductions achieved by a project need to be 'additional' to what would have happened if the project had not been carried out. So, not only must the landholder undertake specific eligible **Management Activities**, these activities must be different from the activities or practices the landholder has traditionally utilised.

10. What are examples of Management Activities for Projects focused on Vegetation Regeneration?

You can run a regeneration project by undertaking a range of land **Management Activities**, including:

- Ceasing the destruction or suppression of native regrowth (e.g. mechanical clearing, use of fire, etc.).
- Removing livestock or managing the timing and extent of grazing in a paddock (e.g. changing stocking rates).
- Managing feral animals humanely or removing plant species not native to the area (e.g. feral goat control).

11. What are the Benefits of Carbon Farming?

The major benefit of Carbon Farming is a new source of revenue for landholders that is not dependent on their primary enterprise (i.e. livestock). Trees can also have other benefits, provided that a favourable tree-grass balance exists. These benefits can include:

- Provides shelter for livestock.
- Reduces soil erosion and salinity while enhancing soil condition.
- Carries out important ecosystem functions, such as water and nutrient cycling.
- Supply habitat for species such as insects, birds and reptiles.

Landholders that take part in Carbon Projects will benefit from new business options. For example, a grazier who generates ACCUs through a Carbon Project may choose to market their beef as Carbon Neutral.

12. What are the Costs?

There are two major costs to Carbon Farming that landholders must be aware of when considering a project.

1. **Carbon Project Costs:** These are the costs that are required to undertake the **Additional Management Activities** as part of the Carbon Farming Method for the project. For example, if a grazier in Queensland signs up for a *Vegetation Regeneration* Project, this may require them to implement new fire controls and grazing practices, meaning new expenses for the business.
2. **Costs to Production:** These are the costs that are incurred by the business as an indirect result of the Carbon Project. For example, a grazier in QLD taking part in a *Vegetation Regeneration* Project will have more trees on parts of their property. While much of Australia's grazing land is comprised of woodland where trees and native pastures coexist, they also compete for Water, Nutrients & Sunlight. This competition can mean that in certain situations, Vegetation Methods can reduce Agricultural Production.

**Don't hesitate to get in touch for
more details!**

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