

CARBON FARMING & BIODIVERSITY OPPORTUNITIES UNDER THE FEDERAL GOVERNMENT'S CLIMATE CHANGE PLAN "SECURING A CLEAN ENERGY FUTURE JULY 2011" ("CLIMATE PLAN").

By Dermot Duncan

1. INTRODUCTION

This Newsflash is the second of our briefing series on the Climate Plan following our earlier Newsflash on Energy Efficiency. We now highlight the "fourth pillar" of the Climate Plan, namely the opportunities for land owners for Carbon Farming and Biodiversity projects.

2. CARBON FARMING OPPORTUNITIES

Chapter 9 of the Climate Plan is dedicated to the Federal Government's initiatives for improving carbon management and biodiversity on the land as a means of mitigating the impacts of climate change on the land as well as developing a new industry for the agricultural sector equal to approximately \$1.9 billion p/annum.

Firstly, the agricultural sector is excluded from directly paying a "carbon price" for pollution from livestock; and fertilizer use. Off-road fuel use by the agriculture, forestry and fishing industries is also excluded.

Secondly, in recognition of the innovative nature and strong environmental credentials of the agricultural sector, the Government is directly incentivising the sector by allowing it to provide "off-sets" to "polluters" who are liable for the "carbon price" by supplying "carbon farming credits" under the Carbon Farming Initiative ("CFI").

Only Kyoto Protocol recognised "carbon farming credits" can be sold to "polluters" as an eligible "off-set" ("Kyoto Compliant Carbon Farming Credits") with those that are not yet recognised internationally subject to the incentives under the \$250 million Carbon Farming Initiative Non-Kyoto Carbon Fund.

The Climate Plan limits the amount of Kyoto Compliant Carbon Farming Credits that "polluters" may surrender to meet their obligation to 5% during the first three years (i.e. the "fixed price" period between 2012-2015); transitioning to an unlimited amount (i.e. the "flexible price" period after 2015). Kyoto Compliant Carbon Farming Credits are bankable for future use and will be able to be traded internationally during both the fixed and flexible price periods, unlike other Australian carbon permits.

Some of the activities that land managers can do to earn credits under the CFI include:

- reforestation on Kyoto Land (Kyoto Compliant);
- reforestation on non-Kyoto Land;
- carbon sequestration on cropping land;
- revegetation and forestry management;
- reducing methane emissions from livestock digestion (Kyoto Compliant);
- reducing fertilizer pollution;
- manure management (Kyoto Compliant);
- reducing pollution or increased carbon storage in agricultural soils;
- savanna fire management (Kyoto Compliant);

- native forest protection;
- forest management;
- reduced pollution from burning of stubble and crop residue;
- reduced pollution from rice cultivation; and
- reducing pollution from legacy landfill waste.

3. BIODIVERSITY FUND

Biodiversity plays a crucial role in maintaining the productive capacity of Australia's landscape: it is the foundation stone of our natural environment and provides a buffer against a harsh and variable climate by binding and nourishing soils, and filtering streams and wetlands.

The on-going Biodiversity Fund will improve the "resilience" of Australia's unique species to the impacts of climate change, enhance outcomes under the CFI and assist landholders protect biodiversity and carbon values of their land. \$946 million will be provided by the Government over the first six years for landholders to undertake projects establishing, restoring, protecting and managing biodiverse carbon stores, including:

- reforestation and revegetation in areas of high conservation value including wildlife corridors, rivers, streams and wetlands;
- management and protection of biodiverse ecosystems, including publicly owned native forests and land under conservation covenants or subject to land clearing restrictions; and
- action to prevent the spread of invasive species across connected landscapes.

The Government is introducing additional measures to assist farmers, Indigenous Australians and other landholders to benefit from managing carbon in the landscape, including:

- The Climate Change Research Program of \$8 million for demonstration projects to provide information to farmers;
- R&D of \$201 million (over six years) for research into new ways of storing carbon and reducing pollution in the land sectors. Novel approaches including Biochar, biofuels and new crop and grazing species will be targeted;
- Grants of up to \$99 million (over the first six years) will be provided for landholders to take action on the ground, including testing new ways to increase soil carbon and reduce pollution;
- A refundable tax-offset to encourage the uptake of conservation tillage farming techniques and participation in soil carbon sequestration research at an estimated cost of \$44 million over three years; and
- A communication network for landholders to access information for the CFI through the Landcare network and other providers worth \$4 million with an additional \$64 million for outreach activities (during the first six years).

We are currently assisting various stakeholders in the agricultural sector in the carbon market. If you would like any further information in relation to how we can help you take advantage of the new CFI or Biodiversity opportunities under the Climate Plan, please contact Dermot Duncan or Glenn Crisp on their details below.

Our next Newsflash will look at the opportunities for the renewable energy sector.